BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2018
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 3,852,520	$ 948,262	$ 4,800,782	$ 3,428,040
Investments	4,359,114	291,340	4,650,454	1,848,103
Invested securities lending collateral	102,620	225	102,845	1,202
Receivables, net:				
Accounts	591,041	12,054	603,095	445,598
Contributions	73	—	73	125,653
Participants	—	915	915	—
Accrued interest	67,943	1,485	69,428	11,078
Income taxes	599,075	—	599,075	—
Sales and other taxes	748,978	—	748,978	—
Student accounts	175	—	175	57,815
Patient accounts	16,860	—	16,860	261,706
Loans and notes	713,298	—	713,298	93,034
Assessments	—	115,623	115,623	—
Due from Federal government and other grantors	818,631	—	818,631	160,171
Internal balances	53,954	(53,954)	—	—
Due from component units	43,327	—	43,327	—
Due from primary government	—	—	—	55,315
Inventories	47,621	2,131	49,752	602,835
Restricted assets:				
Cash and cash equivalents	802,341	273	802,614	1,145,612
Investments	—	—	—	2,073,283
Accounts receivable	95,301	—	95,301	493
Loans receivable	—	—	—	634,080
Other	64,800	—	64,800	19,430
Prepaid items	39,305	536	39,841	84,685
Other assets	422	—	422	463,215
Regulatory assets	—	—	—	4,248,478
Other assets- asset retirement obligation	—	—	—	923,912
Investment in joint venture	—	—	—	6,587
Capital assets-nondepreciable	5,437,770	265,356	5,703,126	2,876,116
Capital assets-depreciable, net	12,083,263	15,856	12,099,119	9,417,229
Total assets	$ 30,538,432	$ 1,600,102	$ 32,138,534	$ 28,983,670
DEFERRED OUTFLOWS OF RESOURCES	$ 989,170	$ 3,836	$ 993,006	$ 1,167,384
LIABILITIES				
Accounts payable	$ 750,477	$ 3,155	$ 753,632	$ 534,508
Accrued salaries and related expenses	169,750	1,018	170,768	220,625
Accrued interest payable	32	97	129	77,049
Retainages payable	3,929	—	3,929	30,433
Tax refunds payable	863,395	28,545	891,940	—
Payables-aid to individuals/families	10,437	—	10,437	—
Prizes payable	—	—	—	34,936
Unemployment benefits payable	—	4,042	4,042	—
Intergovernmental payables	405,999	5,084	411,083	638
Tuition benefits payable	—	89,491	89,491	—
Due to component units	55,315	—	55,315	—
Due to primary government	—	—	—	43,327
Due to fiduciary funds	11,173	—	11,173	—
Unearned revenues and asset retirement obligation	527,572	3,497	531,069	943,473
Deposits	139	300	439	11,808
Amounts held in custody for others	—	—	—	166,101
Securities lending collateral	102,620	225	102,845	1,202
Liabilities payable from restricted assets:				
Accrued interest payable	18,424	—	18,424	—
Other	—	135	135	15,313
Other liabilities	391,543	35	391,578	649,595
Long-term liabilities:				
Due within one year	974,521	29,888	1,004,409	298,165
Due in more than one year	9,272,682	272,149	9,544,831	20,513,323
Total liabilities	$ 13,558,008	$ 437,661	$ 13,995,669	$ 23,540,496
DEFERRED INFLOWS OF RESOURCES	$ 400,609	$ 509	$ 401,118	$ 1,574,203

Exhibit A-1

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 15,079,318	$ 218,157	$ 15,297,475	$ 5,828,350
Restricted:				
Expendable:				
General government	918,343	—	918,343	—
Education	327,009	—	327,009	983,052
Health	1,282,537	—	1,282,537	—
Transportation	1,659,656	—	1,659,656	1,461
Capital projects	114,076	—	114,076	474,035
Debt service	813,504	—	813,504	189,184
Loan programs	—	—	—	443,255
Waste management	172,272	—	172,272	—
Insurance programs	508,628	46,106	554,734	—
Administration of justice	109,708	—	109,708	—
Unemployment compensation benefits	—	976,977	976,977	—
Other	—	—	—	59,889
Nonexpendable:				
Education	11,234	—	11,234	1,311,759
Other	151,470	—	151,470	—
Unrestricted	(3,578,770)	(75,472)	(3,654,242)	(4,254,630)
Total net position	**$ 17,568,985**	**$ 1,165,768**	**$ 18,734,753**	**$ 5,036,355**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses)
Functions					
Primary government:					
Governmental activities:					
General government	$ 6,819,685	$ 3,055,388	$ 1,210,191	$ 29,713	$ (2,524,393)
Education	4,745,126	44,872	976,759	4,256	(3,719,239)
Health and environment	8,156,138	197,403	5,289,976	84,098	(2,584,661)
Social services	1,695,379	9,457	1,436,185	—	(249,737)
Administration of justice	986,839	60,486	9,193	973	(916,187)
Resources and economic development	393,575	72,664	149,903	4,295	(166,713)
Transportation	1,620,126	287,708	181,618	854,499	(296,301)
Unallocated interest expense	18,335	—	—	—	(18,335)
Total governmental activities	**24,435,203**	**3,727,978**	**9,253,825**	**977,834**	**(10,475,566)**
Business-type activities:					
Unemployment compensation benefits	182,537	344,552	5,195	—	167,210
Second Injury	285	60,291	—	—	60,006
Other enterprise activities	60,142	53,758	465	—	(5,919)
Total business-type activities	**242,964**	**458,601**	**5,660**	**—**	**221,297**
Total primary government	**$ 24,678,167**	**$ 4,186,579**	**$ 9,259,485**	**$ 977,834**	**$ (10,254,269)**
Component units:					
Public Service Authority	1,678,017	1,756,983	13,656	—	92,622
Medical University of South Carolina	2,426,921	2,198,874	117,667	37,657	(72,723)
University of South Carolina	1,339,291	1,069,687	158,619	27,341	(83,644)
Clemson University	1,042,625	745,838	188,647	18,424	(89,716)
State Ports Authority	531,324	252,013	6,491	293,620	20,800
Housing Authority	224,766	37,232	207,545	—	20,011
Lottery Commission	1,741,956	1,753,879	11	—	11,934
Nonmajor component units	1,934,870	1,159,693	467,235	81,455	(226,487)
Total component units	**$ 10,919,770**	**$ 8,974,199**	**$ 1,159,871**	**$ 458,497**	**$ (327,203)**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (10,475,566)	$ 221,297	$ (10,254,269)	$ (327,203)
General revenues:				
Taxes:				
Individual income	4,408,772	—	4,408,772	—
Retail sales and use	4,688,789	—	4,688,789	—
Corporate income	404,164	—	404,164	—
Gas and motor vehicle	1,084,630	—	1,084,630	—
Insurance	191,016	—	191,016	—
Hospital	260,715	—	260,715	—
Other	711,502	—	711,502	—
Total taxes	11,749,588	—	11,749,588	—
Unrestricted grants and contributions	38	—	38	—
Unrestricted investment income	160,636	34,132	194,768	—
State Appropriations	—	—	—	706,114
Tobacco legal settlement	81,605	—	81,605	—
Other revenues	150,635	4,545	155,180	—
Additions to endowments	—	—	—	50,735
Transfers–internal activities	9,201	(9,201)	—	—
Total general revenues, additions to endowments, and transfers	**12,151,703**	**29,476**	**12,181,179**	**756,849**
Change in net position	**1,676,137**	**250,773**	**1,926,910**	**429,646**
Net position at beginning of year, as restated	**15,892,848**	**914,995**	**16,807,843**	**4,606,709**
Net position at end of year	**$ 17,568,985**	**$ 1,165,768**	**$ 18,734,753**	**$ 5,036,355**

The Notes to the Financial Statements are an integral part of this statement.

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2018
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
ASSETS			
Cash and cash equivalents	$ 1,252,156	$ 148,578	$ 150,934
Investments	3,044,435	98,293	367,771
Invested securities lending collateral	100,077	91	975
Receivables, net:			
Accounts	78,634	291,380	—
Contributions	8	65	—
Accrued interest	50,494	614	5,436
Income taxes	599,075	—	—
Sales and other taxes	607,619	10,204	—
Student accounts	175	—	—
Patient accounts	13,680	3,180	—
Loans and notes	38,968	429	672,038
Due from Federal government and other grantors	4,933	694,674	—
Due from other funds	64,775	9,662	10,356
Due from component units	7,411	—	—
Interfund receivables	51,142	1,550	177,450
Inventories	29,730	12,468	—
Restricted assets:			
Cash and cash equivalents	8,351	—	779,452
Accounts receivable, net	—	—	95,301
Other	—	—	29,300
Prepaid items	12,281	2,082	—
Other assets	—	—	—
Total assets	**$ 5,963,944**	**$ 1,273,270**	**$ 2,289,013**
LIABILITIES			
Liabilities:			
Accounts payable	222,420	338,697	8,677
Accrued salaries and related expenditures	107,129	33,443	93
Retainages payable	222	653	—
Tax refunds payable	863,346	—	—
Payable–aid to individuals/families	1,667	8,770	—
Intergovernmental payables	94,608	182,550	26,123
Due to other funds	77,431	61,741	1,907
Due to component units	21,265	25,782	—
Interfund payables	1,950	—	—
Unearned revenues	43,694	110,734	67,911
Securities lending collateral	100,077	91	975
Other liabilities	203,545	3,066	—
Total liabilities	**1,737,354**	**765,527**	**105,686**
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	3,779	62,052	60,253
Deferred nonexchange revenues	15,233	—	—
Total deferred inflows of resources	**19,012**	**62,052**	**60,253**
FUND BALANCES			
Nonspendable	128,937	14,550	—
Restricted	1,134,704	1,071,734	2,123,074
Committed	505,425	19,784	—
Assigned	252,357	18,354	—
Unassigned	2,186,155	(678,731)	—
Total fund balances	**4,207,578**	**445,691**	**2,123,074**
Total liabilities and fund balances	**$ 5,963,944**	**$ 1,273,270**	**$ 2,289,013**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 1,072,186	$ 322,486	$ 2,946,340
—	391,041	3,901,540
694	370	102,207
6,250	24,644	400,908
—	—	73
3,905	2,639	63,088
—	—	599,075
9,702	121,453	748,978
—	—	175
—	—	16,860
1,863	—	713,298
118,912	112	818,631
48,575	—	133,368
327	22,183	29,921
—	—	230,142
2,595	—	44,793
14,538	—	802,341
—	—	95,301
—	35,500	64,800
5,146	1	19,510
241	—	241
$ 1,284,934	**$ 920,429**	**$ 11,731,590**
165,566	$ 9,818	$ 745,178
25,079	263	166,007
—	3,045	3,920
—	49	863,395
—	—	10,437
—	102,717	405,998
12,948	88	154,115
—	8,268	55,315
177,450	—	179,400
140,475	—	362,814
694	370	102,207
—	—	206,611
522,212	**124,618**	**3,255,397**
484	—	126,568
—	—	15,233
484	**—**	**141,801**
7,982	11,235	162,704
334,280	723,998	5,387,790
419,976	56,360	1,001,545
—	4,218	274,929
—	—	1,507,424
762,238	**795,811**	**8,334,392**
$ 1,284,934	**$ 920,429**	**$ 11,731,590**

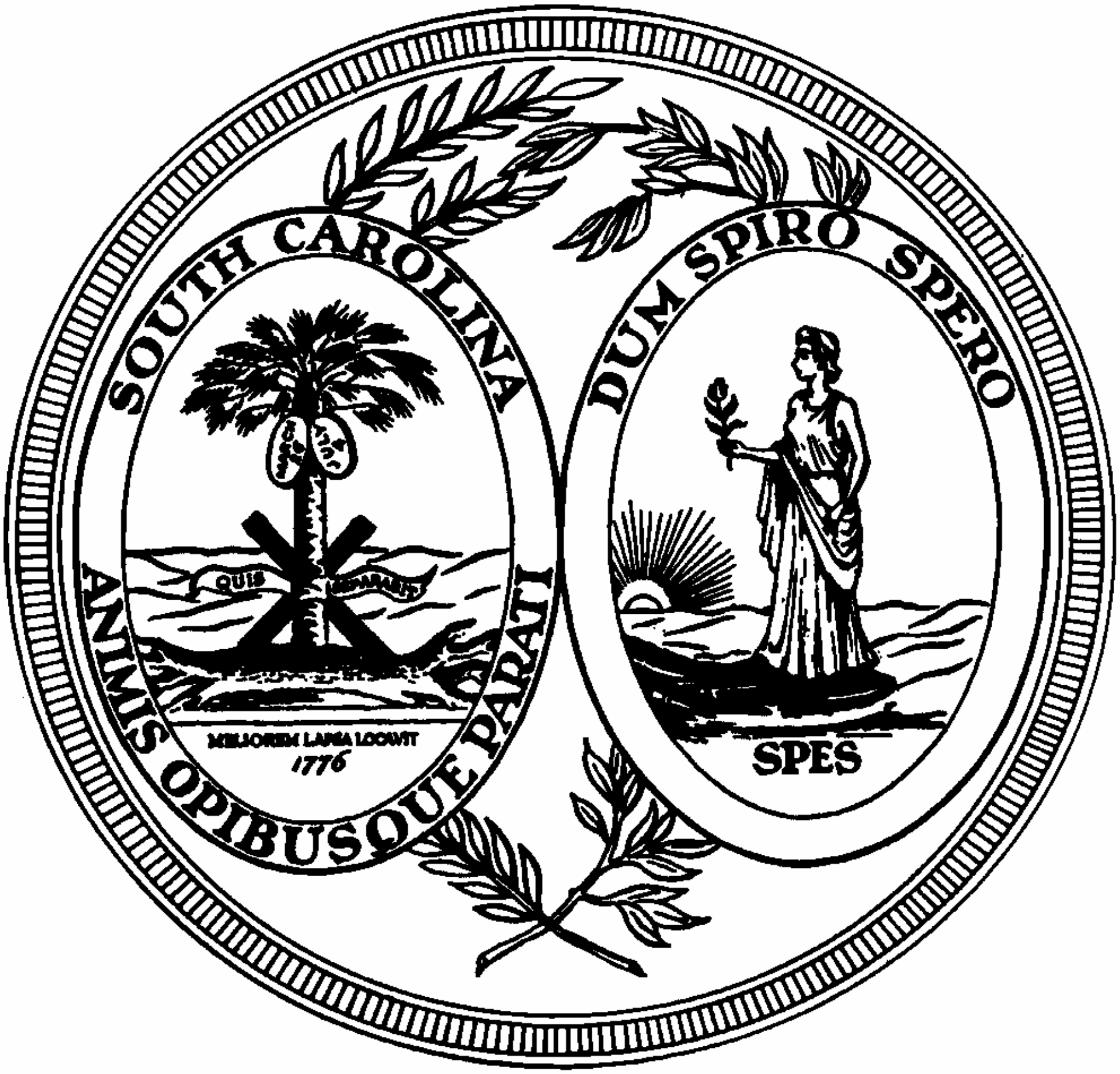
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2018
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 8,334,392**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets	$ 5,431,431	
Depreciable capital assets	18,222,517	
Accumulated depreciation	(6,246,953)	
Total capital assets		17,406,995
Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Hedging portion of derivative instruments		14,736
Deferred loss on refunding bonds		96,890
Pension and OPEB contributions made after the measurement date		345,176
Difference between expected and actual retirement plan experience		20,144
Net difference between projected and actual earnings on investments		117,985
Changes in proportion and differences between contributions and proportionate share of plan contributions		117,821
Changes in assumptions		256,737
Deferred inflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Difference between expected and actual retirement plan experience		(7,980)
Changes in proportion and differences between contributions and proportionate share of plan contributions		(108,896)
Changes in assumptions		(262,298)
Certain State revenues will be collected after year-end but are not available soon enough to pay for the the current period's expenditures, and therefore are considered deferred inflows of resources		126,568
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position		617,214
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(2,334,925)	
Notes payable	(82,638)	
Accrued interest on bonds	(18,424)	
Capital leases	(1,665)	
Net pension liability	(3,868,781)	
Net OPEB liability	(2,787,580)	
Compensated absences	(183,494)	
Policy claims	(34,207)	
Other	(194,785)	
Total long-term liabilities		(9,506,499)
Net position of governmental activities		**$ 17,568,985**

The Notes to the Financial Statements are an integral part of this statement.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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 4,385,106	$ —	$ 23,666
Retail sales and use	3,736,072	2,336	—
Corporate Income	404,164	—	—
Gas and motor vehicle	—	—	—
Insurance	188,979	2,037	—
Hospital	260,715	—	—
Other	591,148	117,471	—
Licenses, fees, and permits	224,966	47,275	181,857
Interest and other investment income	57,382	44,223	34,338
Federal	59,600	7,875,987	20,232
Local and private grants	9,296	57,253	—
Departmental services	728,955	72,664	501
Contributions	21,504	74,182	57,786
Fines and penalties	74,035	5,746	—
Tobacco legal settlement	—	—	—
Other	310,100	310,439	365
Total revenues	**11,052,022**	**8,609,613**	**318,745**
Expenditures:			
Current:			
General government	562,958	51,024	—
Education	561,056	182,785	—
Health and environment	2,974,555	5,765,646	—
Social services	248,522	1,425,286	—
Administration of justice	865,050	26,360	—
Resources and economic development	171,047	122,851	19,167
Transportation	2,013	3,173	15,574
Capital outlay	84,634	52,276	—
Debt service:			
Principal retirement	135,033	1,011	73,660
Interest and fiscal charges	31,927	88	80,456
Intergovernmental	4,885,880	977,440	110,019
Total expenditures	**10,522,675**	**8,607,940**	**298,876**
Excess of revenues over (under) expenditures	**529,347**	**1,673**	**19,869**
Other financing sources (uses):			
Bonds and notes issued	10,530	—	—
Refunding bonds issued	—	—	188,725
Premiums on bonds issued	—	—	30,041
Capital leases	1,517	302	—
Payment to refunded bond escrow agent	—	—	(203,580)
Transfers in	109,068	36,980	4,142
Transfers out	(184,951)	—	—
Total other financing sources (uses)	**(63,836)**	**37,282**	**19,328**
Net change in fund balances	**465,511**	**38,955**	**39,197**
Fund balances at beginning of year, as restated	**3,742,067**	**406,736**	**2,083,877**
Fund balances at end of year	**$ 4,207,578**	**$ 445,691**	**$ 2,123,074**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 4,408,772
—	950,381	4,688,789
—	—	404,164
1,084,630	—	1,084,630
—	—	191,016
—	—	260,715
—	2,883	711,502
—	63,690	517,788
3,764	4,575	144,282
986,500	1,962	8,944,281
—	—	66,549
142,333	12,525	956,978
—	435,718	589,190
—	88,170	167,951
—	81,605	81,605
13,707	3,879	638,490
2,230,934	**1,645,388**	**23,856,702**
—	74,469	688,451
—	371,020	1,114,861
—	80,323	8,820,524
—	—	1,673,808
—	77	891,487
—	285	313,350
1,128,574	—	1,149,334
759,412	116,644	1,012,966
45,075	4	254,783
14,411	1	126,883
90,964	962,879	7,027,182
2,038,436	**1,605,702**	**23,073,629**
192,498	**39,686**	**783,073**
4,535	—	15,065
—	—	188,725
—	—	30,041
—	28	1,847
—	—	(203,580)
50,057	180,595	380,842
—	(178,814)	(363,765)
54,592	**1,809**	**49,175**
247,090	**41,495**	**832,248**
515,148	**754,316**	**7,502,144**
$ 762,238	**$ 795,811**	**$ 8,334,392**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 832,248**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Capital outlay	$ 1,012,966	
Depreciation expense	(351,881)	
Excess of capital outlay over depreciation expense		661,085
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources		120,885
Loss on disposals of capital assets are reported as a expense in the Statement of Activities		(19,941)
Bond, note, and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
Bonds, notes, and capital leases issued	(205,637)	
Bond premiums net of discounts	(30,041)	
Net bond and note proceeds		(235,678)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position		(4,410)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond, note, and capital lease retirement	254,783	
Payment to refunded bond escrow agent	203,580	
Total long-term debt repayment		458,363
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is included in governmental activities in the Statement of Activities, net of restatements		22,970
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in unearned revenues		17,929

Exhibit B-2a

Decrease in general operating expense due to the increase in pension expense for the amortization of deferred outflows and inflows of resources related to the net pension liability		(179,990)
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of changes in the following assets and liabilities:		
Accrued interest payable	$ 2,786	
Unamortized bond premiums and discounts	19,279	
Net pension liability	(224,266)	
Net OPEB liability	189,855	
Compensated absences payable	41,745	
Policy claims payable	1,298	
Other long-term liabilities	(28,021)	
Total additional expenses		2,676
Change in net position of governmental activities		**$ 1,676,137**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	$ 880,643	$ 47,732	$ 19,887	$ 948,262	$ 906,180
Investments	11,856	219,978	59,506	291,340	1,741
Invested securities lending collateral	11	213	1	225	413
Receivables, net:					
Accounts	9,325	1	2,728	12,054	189,812
Participants	—	—	312	312	—
Accrued interest	78	1,353	54	1,485	4,855
Assessments	115,623	—	—	115,623	—
Due from other funds	—	—	—	—	13,788
Due from component units	—	—	—	—	13,406
Inventories	—	—	2,131	2,131	2,828
Restricted assets:					
Cash and cash equivalents	—	—	238	238	—
Prepaid items	—	—	536	536	19,784
Other current assets	—	—	—	—	—
Total current assets	1,017,536	269,277	85,393	1,372,206	1,152,807
Long-term assets:					
Investments	—	—	—	—	455,833
Receivables, net:					
Accounts	—	—	—	—	321
Participants	—	—	603	603	—
Interfund receivables	—	—	—	—	400
Restricted assets:					
Cash and cash equivalents	—	—	35	35	—
Prepaid items	—	—	—	—	11
Other long-term assets	—	—	—	—	181
Non-depreciable capital assets	—	—	265,356	265,356	6,339
Depreciable capital assets, net	—	—	15,856	15,856	107,699
Total long-term assets	—	—	281,850	281,850	570,784
Total assets	**1,017,536**	**269,277**	**367,243**	**1,654,056**	**1,723,591**
DEFERRED OUTFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 3,836**	**$ 3,836**	**$ 19,681**

Exhibit B-3

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable	$ 8	$ 21	$ 3,126	$ 3,155	$ 5,299
Accrued salaries and related expenses	—	—	1,018	1,018	3,743
Accrued interest payable	—	—	97	97	32
Retainages payable	—	—	—	—	9
Tax refunds payable	28,545	—	—	28,545	—
Unemployment benefits payable	4,042	—	—	4,042	—
Intergovernmental payables	5,084	—	—	5,084	1
Tuition benefits payable	—	—	14,118	14,118	—
Policy claims	—	23,598	5,801	29,399	633,340
Due to other funds	2,869	—	85	2,954	1,260
Unearned revenues	—	—	3,497	3,497	164,758
Deposits	—	—	300	300	139
Securities lending collateral	11	213	1	225	413
Notes payable	—	—	—	—	5,830
Revenue bonds payable	—	—	180	180	—
Capital leases payable	—	—	—	—	25
Compensated absences payable	—	—	309	309	2,311
Other current liabilities	—	—	35	35	3,056
Total current liabilities	40,559	23,832	28,567	92,958	820,216
Long-term liabilities:					
Tuition benefits payable	—	—	75,373	75,373	—
Policy claims	—	199,339	41,019	240,358	157,413
Interfund payables	—	—	51,000	51,000	142
Other liabilities payable from restricted assets	—	—	135	135	—
Notes payable	—	—	6,500	6,500	16,577
Revenue bonds payable	—	—	5,375	5,375	—
Capital leases payable	—	—	—	—	55
Compensated absences payable	—	—	216	216	1,051
Net pension liability	—	—	16,111	16,111	77,905
Net OPEB liability	—	—	3,589	3,589	46,497
Total long-term liabilities	—	199,339	199,318	398,657	299,640
Total liabilities	**40,559**	**223,171**	**227,885**	**491,615**	**1,119,856**
DEFERRED INFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 509**	**$ 509**	**$ 6,202**

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Net Position

Exhibit B-3

PROPRIETARY FUNDS (Continued)

June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
NET POSITION					
Net investment in capital assets	$ —	$ —	$ 218,157	$ 218,157	$ 91,551
Restricted:					
Expendable:					
Unemployment compensation benefits	976,977	—	—	976,977	—
Insurance programs	—	46,106	—	46,106	508,628
Unrestricted	—	—	(75,472)	(75,472)	17,035
Total net position	**$ 976,977**	**$ 46,106**	**$ 142,685**	**$ 1,165,768**	**$ 617,214**

Statement of Revenues, Expenses, and Changes in Fund Net Position

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Operating revenues:					
Assessments	$ 331,069	$ 60,286	$ —	$ 391,355	$ —
Charges for services	—	5	53,639	53,644	2,799,514
Contributions	—	—	465	465	—
Interest and other investment income	17,068	1,999	15,137	34,204	—
Federal operating grants and contracts	5,195	—	—	5,195	—
Other operating revenues	13,483	—	119	13,602	386,795
Total operating revenues	**366,815**	**62,290**	**69,360**	**498,465**	**3,186,309**
Operating expenses:					
General operations and administration	—	—	38,840	38,840	512,055
Benefits and claims	182,537	285	5,135	187,957	2,642,275
Tuition plan disbursements	—	—	14,683	14,683	—
Depreciation and amortization	—	—	1,451	1,451	17,796
Other operating expenses	—	—	33	33	510
Total operating expenses	**182,537**	**285**	**60,142**	**242,964**	**3,172,636**
Operating income	**184,278**	**62,005**	**9,218**	**255,501**	**13,673**
Nonoperating revenues (expenses):					
Interest income	—	—	34	34	16,354
Contributions	—	—	—	—	38
Federal grants and contracts	—	—	—	—	17
Interest expense	—	—	(106)	(106)	(372)
Net other nonoperating revenues (expenses)	—	37	4,508	4,545	4,433
Losses on sale of capital assets	—	—	—	—	(3,297)
Total nonoperating revenues (expenses)	**—**	**37**	**4,436**	**4,473**	**17,173**
Income before transfers	**184,278**	**62,042**	**13,654**	**259,974**	**30,846**
Transfers in	—	—	44	44	2,258
Transfers out	(200)	(250)	(8,795)	(9,245)	(10,134)
Change in net position	**184,078**	**61,792**	**4,903**	**250,773**	**22,970**
Net position (deficit), beginning, as restated	792,899	(15,686)	137,782	914,995	594,244
Net position at end of year	**$ 976,977**	**$ 46,106**	**$ 142,685**	**$ 1,165,768**	**$ 617,214**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers	$ 19,036	$ —	$ 53,346	$ 72,382	$ 2,597,886
Assessments received	321,015	60,286	—	381,301	—
Grants received	5,195	—	—	5,195	—
Tuition plan contributions received	—	—	1,545	1,545	—
Internal activity–payments from other funds	—	—	—	—	216,796
Other operating cash receipts	—	26,503	(543)	25,960	440,870
Claims and benefits paid	(173,470)	(53,713)	(36,895)	(264,078)	(250,149)
Payments to suppliers for goods and services	—	—	(30,171)	(30,171)	(2,799,946)
Payments to employees	—	—	(7,298)	(7,298)	(51,496)
Internal activity–payments to other funds	—	—	—	—	(3,277)
Other operating cash payments	—	—	—	—	(1)
Net cash provided by (used in) operating activities	**171,776**	**33,076**	**(20,016)**	**184,836**	**150,683**
Cash flows from noncapital financing activities:					
Payment of bond issuance costs for other funds	—	—	—	—	(2,762)
Miscellaneous revenue cash receipts	—	37	1,846	1,883	5,783
Transfers in	—	—	44	44	2,258
Transfers out	(200)	(250)	(8,795)	(9,245)	(10,134)
Net cash used in noncapital financing activities	**(200)**	**(213)**	**(6,905)**	**(7,318)**	**(4,855)**

Exhibit B-5

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (26,624)	$ (26,624)	$ (18,372)
Proceeds from issuance of note	—	—	6,500	6,500	—
Proceeds from issuance of capital debt	—	—	—	—	12,890
Principal payments on capital debt	—	—	(175)	(175)	(6,761)
Interest payments on capital debt	—	—	—	—	(157)
Proceeds from sale or disposal of capital assets	—	—	2,898	2,898	1,382
Net cash used in capital and related financing activities	**—**	**—**	**(17,401)**	**(17,401)**	**(11,018)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	561	—	18,532	19,093	145,497
Purchase of investments	—	(42,367)	(5,359)	(47,726)	(155,706)
Interest and dividends on investments	17,049	1,495	15,173	33,717	21,483
Net cash provided by (used in) investing activities	**17,610**	**(40,872)**	**28,346**	**5,084**	**11,274**
Net increase (decrease) in cash and cash equivalents	**189,186**	**(8,009)**	**(15,976)**	**165,201**	**146,084**
Cash and cash equivalents at beginning of year	**691,457**	**55,741**	**36,136**	**783,334**	**760,096**
Cash and cash equivalents at end of year	**$ 880,643**	**$ 47,732**	**$ 20,160**	**$ 948,535**	**$ 906,180**
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ 184,278	$ 62,005	$ 9,218	$ 255,501	$ 13,673
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,451	1,451	17,796
Provision for bad debts	(8,462)	—	(26)	(8,488)	—
Realized losses on sale of assets	—	—	2,899	2,899	(3,297)
Interest payments reclassified as capital and related financing activities	—	—	—	—	(72)
Interest and dividends on investments and interfund loans	(17,049)	(1,495)	(15,195)	(33,739)	72
Other nonoperating revenues	—	—	36	36	2,991
Other nonoperating expenses	—	—	(9,292)	(9,292)	—

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Cash Flows

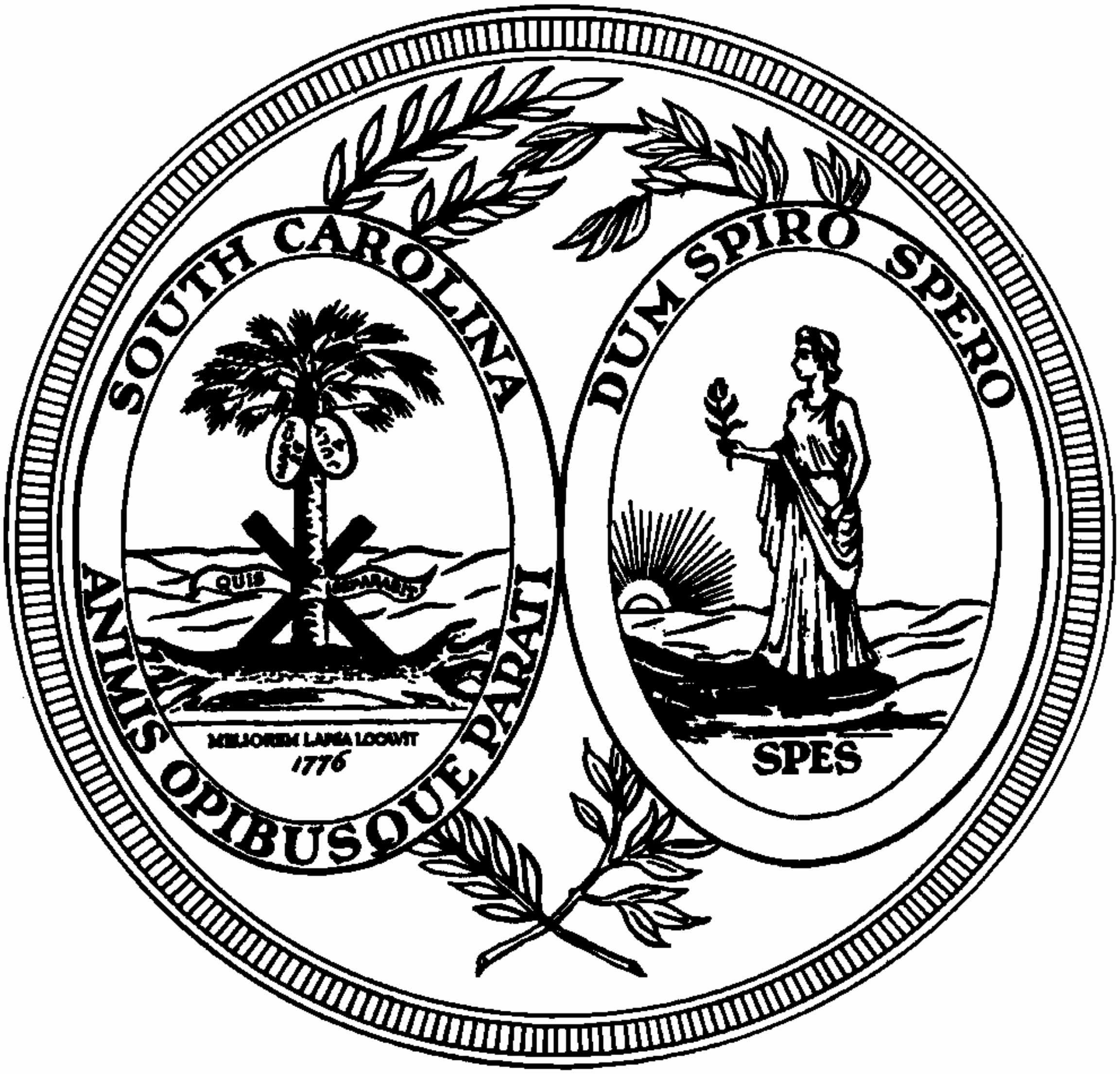
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Effect of changes in operating assets and liabilities:					
Accounts receivable, net	$ 6,096	$ (1)	$ 1,015	$ 7,110	$ 53,827
Accrued interest	(18)	(505)	—	(523)	—
Assessments receivable, net	(2,137)	—	—	(2,137)	—
Due from other funds	—	—	(3)	(3)	549
Inventories	—	—	(69)	(69)	(216)
Other assets	—	—	513	513	(1,212)
Deferred outflows	—	—	(304)	(304)	(6,897)
Accounts payable	—	21	(1,688)	(1,667)	2,855
Accrued salaries and related expenses	—	—	(67)	(67)	132
Tax refunds payable	5,119	—	—	5,119	—
Unemployment benefits payable	3,508	—	—	3,508	—
Tuition benefits payable	—	—	(15,535)	(15,535)	—
Policy claims	—	(26,949)	(1,543)	(28,492)	31,387
Due to other funds	441	—	(15)	426	246
Unearned revenues	—	—	(153)	(153)	14,246
Compensated absences payable	—	—	(132)	(132)	(800)
Other liabilities	—	—	8,347	8,347	18,527
Deferred inflows	—	—	527	527	6,876
Net cash provided by (used in) operating activities	**$ 171,776**	**$ 33,076**	**$ (20,016)**	**$ 184,836**	**$ 150,683**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	$ —	$ —	$ —	$ 17,011
Borrowing under capital leases	—	—	—	—	(80)
Increase (decrease) in fair value of investments	—	—	(347)	(347)	(7,533)
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ (347)**	**$ (347)**	**$ 9,398**

The Notes to the Financial Statements are an integral part of this statement.


SOUTH CAROLINA
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Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2018
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 2,368,488	$ 4,206,875	$ 14,527	$ 392,937
Receivables, net:				
Accounts	—	—	—	13,011
Contributions	336,412	—	—	—
Accrued interest	54,012	2,295	2,561	2,331
Unsettled investment sales	613,543	—	6,793	—
Loans and notes receivables	—	—	—	13
Other investment receivables	1,163	—	—	—
Taxes	—	—	—	748
Total receivables	1,005,130	2,295	9,354	16,103
Due from other funds	67,347	—	—	—
Due from governmental funds	—	—	—	11,173
Investments, at fair value:				
Short term investments	586,272	—	—	18,640
Debt-domestic	6,354,240	430,963	—	—
Equity-international	13,870,901	—	—	—
Alternatives	9,499,522	—	—	—
Financial and other	101,388	1,853,314	3,553,903	—
Total investments	30,412,323	2,284,277	3,553,903	18,640
Invested securities lending collateral	42,726	20	3	183
Capital assets, net	2,362	—	—	—
Prepaid items	3,592	—	—	—
Other assets	—	—	4,464	—
Total assets	**33,901,968**	**6,493,467**	**3,582,251**	**439,036**
LIABILITIES				
Accounts payable	12,717	—	2,134	39,524
Accounts payable–unsettled investment purchases	859,659	—	6,359	—
Policy claims	512	—	—	—
Due to other funds	67,347	—	—	—
Intergovernmental payables	—	—	—	32,436
Deposits	—	—	—	3,076
Amounts held in custody for others	—	—	—	363,554
Deferred retirement benefits	377,263	—	—	—
Securities lending collateral	89,879	20	3	183
Due to participants	—	—	—	17
Other liabilities	34,756	—	—	246
Total liabilities	**1,442,133**	**20**	**8,496**	**439,036**
NET POSITION				
Restricted for pension and other post-employment benefits	32,459,835	—	—	—
Held in trust for:				
External investment pool participants	—	6,493,447	—	—
Other purposes	—	—	3,573,755	—
Total net position	**$ 32,459,835**	**$ 6,493,447**	**$ 3,573,755**	**$ —**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 63
Contributions:			
Employer	2,001,881	—	—
Employee	1,010,636	—	—
Non-employer	225,045	—	—
Deposits from pool participants	—	12,220,711	—
Tuition plan deposits	—	—	726
Other	—	—	263,923
Total contributions	3,237,562	12,220,711	264,649
Investment income:			
Interest income and net appreciation in investments	2,707,225	99,803	230,286
Securities lending income	2,049	23	—
Total investment income	2,709,274	99,826	230,286
Less investment expense:			
Investment expense	374,222	—	—
Securities lending expense	5	—	—
Net investment income	2,335,047	99,826	230,286
Assets moved between pension trust funds	1,534	—	—
Total additions	**5,574,143**	**12,320,537**	**494,998**
Deductions:			
Regular retirement benefits	3,116,772	—	—
Supplemental retirement benefits	368	—	—
Deferred retirement benefits	707,932	—	—
Refunds of retirement contributions to members	137,766	—	—
Death benefit claims	25,207	—	—
Accidental death benefits	1,734	—	—
Other post-employment benefits	474,142	—	—
Withdrawals, pool participants	—	11,392,080	—
Distributions to pool participants	—	94,318	—
Depreciation	216	—	—
Administrative expense	17,037	4,422	12,162
Other expenses	—	—	1,585
Assets moved between pension trust funds	1,534	—	—
Total deductions	**4,482,708**	**11,490,820**	**13,747**
Change in net position	**1,091,435**	**829,717**	**481,251**
Net position, beginning	**31,368,400**	**5,663,730**	**3,092,504**
Net position at end of year	**$ 32,459,835**	**$ 6,493,447**	**$ 3,573,755**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University
ASSETS				
Cash and cash equivalents	$ 731,758	$ 607,405	$ 525,229	$ 322,798
Investments	740,777	263,135	465,422	3,424
Invested securities lending collateral	—	32	245	331
Receivables, net:				
Accounts	228,575	16,633	17,749	9,036
Contributions	—	40,612	30,668	23,393
Accrued interest	2,522	1,272	2,924	2,214
Student accounts	—	804	9,179	6,584
Patient accounts	—	261,706	—	—
Loans and notes	—	384	10,112	16
Due from Federal government and other grantors	—	46,660	47,764	24,104
Due from primary government	—	13,062	7,823	9,471
Inventories	547,558	25,923	2,232	3,160
Restricted assets:				
Cash and cash equivalents	71,365	67,999	303,978	293,248
Investments	299,014	422,117	43,237	768,818
Accounts receivable	—	—	—	—
Loans receivable	—	12,719	16,790	7,390
Other	—	6,680	—	5,986
Prepaid items	14,494	34,276	1,938	11,864
Other assets	275,019	7,140	29,612	5,591
Regulatory asset	4,248,478	—	—	—
Other regulatory assets- asset retirement obligation	923,912	—	—	—
Investment in joint venture	6,587	—	—	—
Capital assets-nondepreciable	946,277	343,397	230,350	322,944
Capital assets-depreciable, net	3,885,745	902,972	1,179,681	1,021,476
Total assets	**$ 12,922,081**	**$ 3,074,928**	**$ 2,924,933**	**$ 2,841,848**
DEFERRED OUTFLOWS OF RESOURCES	**$ 239,111**	**$ 290,043**	**$ 213,176**	**$ 130,257**
LIABILITIES				
Accounts payable	$ 291,708	$ 104,818	$ 20,864	$ 30,731
Accrued salaries and related expenses	12,669	117,390	21,496	22,090
Accrued interest payable	50,383	2,183	5,421	4,716
Retainages payable	17,130	91	1,287	4,886
Prizes payable	—	—	—	—
Intergovernmental payables	—	—	—	—
Due to primary government	—	—	4,900	3,844
Unearned revenues and asset retirement obligation	729,969	22,211	51,216	49,190
Deposits	—	—	3,077	2,791
Amounts held in custody for others	—	17,852	54,349	78,009
Securities lending collateral	—	32	245	331
Liabilities payable from restricted assets:				
Other	—	—	—	—
Other liabilities	534,792	48,679	23,635	10,889
Long-term liabilities:				
Due within one year	50,226	58,232	55,258	34,827
Due in more than one year	8,257,097	2,995,460	2,460,903	1,858,832
Total liabilities	**$ 9,943,974**	**$ 3,366,948**	**$ 2,702,651**	**$ 2,101,136**
DEFERRED INFLOWS OF RESOURCES	**$ 1,134,562**	**$ 103,699**	**$ 84,102**	**$ 53,787**
NET POSITION				
Net investment in capital assets	$ 1,523,505	$ 608,056	$ 819,338	$ 798,432
Restricted:				
Expendable:				
Education	—	283,877	167,000	277,133
Transportation	—	—	—	—
Capital projects	1,284	68,199	81,307	106,028
Debt service	32,430	54,054	7,559	9,747
Loan programs	—	—	—	—
Other	—	—	—	—
Nonexpendable:				
Education	—	265,914	379,125	380,351
Unrestricted	525,437	(1,385,776)	(1,102,973)	(754,509)
Total net position (deficit)	**$ 2,082,656**	**$ (105,676)**	**$ 351,356**	**$ 817,182**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

State Ports Authority	Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ 544,623	$ 20,017	$ 23,734	$ 652,476	$ 3,428,040
20,007	—	—	355,338	1,848,103
423	—	—	171	1,202
53,168	295	46,760	73,382	445,598
—	—	—	30,980	125,653
—	99	—	2,047	11,078
—	—	—	41,248	57,815
—	—	—	—	261,706
—	25,260	—	57,262	93,034
—	838	—	40,805	160,171
—	1,521	—	23,438	55,315
8,557	—	4,226	11,179	602,835
—	149,487	494	259,041	1,145,612
—	150,946	—	389,151	2,073,283
—	493	—	—	493
—	585,501	—	11,680	634,080
—	3,138	—	3,626	19,430
4,800	—	—	17,313	84,685
603	2,558	6,218	136,474	463,215
—	—	—	—	4,248,478
—	—	—	—	923,912
—	—	—	—	6,587
756,579	—	—	276,569	2,876,116
446,859	348	474	1,979,674	9,417,229
$ 1,835,619	$ 940,501	$ 81,906	$ 4,361,854	$ 28,983,670
$ 23,812	$ 4,119	$ 2,660	$ 264,206	$ 1,167,384
$ 24,158	$ —	$ 2,860	$ 59,369	$ 534,508
4,543	886	—	41,551	220,625
8,658	—	—	5,688	77,049
3,858	—	—	3,181	30,433
—	—	34,936	—	34,936
—	—	—	638	638
—	—	13,851	20,732	43,327
—	6,103	456	84,328	943,473
—	—	—	5,940	11,808
—	—	—	15,891	166,101
423	—	—	171	1,202
—	13,056	—	2,257	15,313
4,279	1,083	1,809	24,429	649,595
6,244	13,114	542	79,722	298,165
988,079	437,442	27,544	3,487,966	20,513,323
$ 1,040,242	$ 471,684	$ 81,998	$ 3,831,863	$ 23,540,496
$ 4,777	$ 43,325	$ 1,600	$ 148,351	$ 1,574,203
$ 611,645	$ 348	$ 474	$ 1,466,552	$ 5,828,350
—	—	—	255,042	983,052
—	—	—	1,461	1,461
—	—	—	217,217	474,035
7,344	27,719	—	50,331	189,184
—	382,026	—	61,229	443,255
—	—	494	59,395	59,889
—	—	—	286,369	1,311,759
195,423	19,518	—	(1,751,750)	(4,254,630)
$ 814,412	**$ 429,611**	**$ 968**	**$ 645,846**	**$ 5,036,355**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Service Authority	$ 1,678,017	$ 1,756,983	$ 13,656	$ —
Medical University of South Carolina	2,426,921	2,198,874	117,667	37,657
University of South Carolina	1,339,291	1,069,687	158,619	27,341
Clemson University	1,042,625	745,838	188,647	18,424
State Ports Authority	531,324	252,013	6,491	293,620
Housing Authority	224,766	37,232	207,545	—
Lottery Commission	1,741,956	1,753,879	11	—
Nonmajor component units	1,934,870	1,159,693	467,235	81,455
Totals	**$ 10,919,770**	**$ 8,974,199**	**$ 1,159,871**	**$ 458,497**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	State Appropriations	Net Position (Deficit) Beginning (as Restated)	Net Position (Deficit) Ending
$ 92,622	$ —	$ —	$ 1,990,034	$ 2,082,656
(72,723)	12,158	117,962	(163,073)	(105,676)
(83,644)	9,465	163,371	262,164	351,356
(89,716)	14,019	123,914	768,965	817,182
20,800	—	—	793,612	814,412
20,011	—	—	409,600	429,611
11,934	—	—	(10,966)	968
(226,487)	15,093	300,867	556,373	645,846
$ (327,203)	**$ 50,735**	**$ 706,114**	**$ 4,606,709**	**$ 5,036,355**

Notes to the Financial Statements—Contents

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

The South Carolina General Assembly (an elected legislative body) and several elected executives govern the State of South Carolina. The accompanying financial statements present the activities of the State of South Carolina's primary government and its component units.

Component units are legally separate organizations for which the State is accountable for purposes of financial reporting. Blended component units, although legally separate from the State, are part of the State's operations in substance. Accordingly, the State includes blended component units within applicable funds in its fund financial statements and within applicable activities in its government-wide financial statements. In contrast, the State excludes its discretely presented component units from the fund financial statements included within its basic financial statements and it reports the discretely presented component units separately in its government-wide financial statements.

As explained more fully below, the State's primary government and its component units include various State funds, agencies, departments, institutions, authorities, and other organizations.

Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below.

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership and the Retirement Systems Investment Commission (RSIC), which consists of eight members appointed by the Governor, the other four members of the State Fiscal Accountability Authority, a retired member of one of the five systems appointed by the other RSIC directors, and the ex-officio Executive director of PEBA, are co-trustees of the assets of the retirement system. PEBA also serves as the custodian of the assets of the retirement system.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2018.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2017. The Palmetto Railways Division is governed by the Secretary of the Department of Commerce which operates as a cabinet agency under the Governor and is subject to state laws and regulations as well maintaining operational responsibility for the blended component unit.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
http://osa.sc.gov

Palmetto Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200
http://palmettorailways.com

Major Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2018. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2017. A financial benefit/burden relationship exists between the State and the Public Service Authority.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates six ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

The South Carolina State Housing Finance and Development Authority is a legally separate entity that facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Authority issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Authority. The Governor appoints, with the advice and consent of the Senate, seven persons to be commissioners of the South Carolina State Housing Finance and Development Authority. The State has the ability to impose its will on the Housing Finance and Development Authority.

South Carolina Lottery Commission

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission is legally separate and is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs. A benefit/burden relationship exists between the State and the Lottery.

Clemson University

Clemson University is a legally separate State-supported, institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the General Assembly. The University is governed by a board of thirteen members, including six elected by the General Assembly and seven self-perpetuating life members. A benefit/burden relationship exists between the State and Clemson University.

Medical University of South Carolina

The Medical University of South Carolina (MUSC) is a legally separate State-supported institution of higher education. MUSC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The management and control of the university is vested in a board of trustees, composed as follows: the Governor or designee, ex officio, fourteen members elected by the General Assembly in joint assembly, and one member appointed by the Governor. A financial benefit/burden relationship exists between the State and MUSC.

University of South Carolina

The University of South Carolina (USC) is a legally separate State-supported institution of higher education. USC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The board of trustees is composed of the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association, which three are members ex officio of the board, and seventeen other members including one member from each of the sixteen judicial circuits elected by the general vote of the General Assembly, and one at-large member appointed by the Governor. A financial benefit/burden relationship exists between the State and USC.

Nonmajor Discretely Presented Component Units

The State's government-wide financial statements also include the following nonmajor discretely presented component units in the aggregate:

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2017.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2017. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

The South Carolina Education Assistance Authority is a legally separate entity that issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings. The State has the ability to impose its will on the Education Assistance Authority.

The South Carolina First Steps to School Readiness is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee. The State has the ability to impose its will on First Steps to School Readiness.

The South Carolina Jobs-Economic Development Authority is a legally separate entity that promotes and develops business and economic welfare in the state. The Authority is governed by a Board of Directors which consists of ten members all appointed by the Governor. The State has the ability to impose its will on the Jobs-Economic Development Authority.

The South Carolina Research Authority was created through an act of the General Assembly, as a legally separate entity, for the development and marketing of a statewide system of research and technology-based infrastructure and to conduct applied research and commercialization services on a contractual basis. The Research Authority is governed by twenty-four board members, of which an executive committee of nine members holds all voting ability. All nine of the executive committee members are State appointees. The State has the ability to impose its will on the Research Authority.

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2017.

The Patriots Point Development Authority is a legally separate entity, established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor. Members of the Authority are appointed by the Governor as follows: one upon the joint recommendation of the Chairman of the House Ways and Means Committee and the Speaker of the House, one upon the joint recommendation of the Chairman of the Senate Finance Committee and the President Pro Tempore of the Senate, and three appointed by the Governor. The Governor appoints the chairman. In addition, there are three additional members of the board appointed by the Governor, one appointed upon recommendation of the President Pro Tempore of the Senate, one appointed upon recommendation of the Speaker of the House of Representatives, and one appointed upon recommendation of the State Adjutant General. A financial benefit/burden relationship exists between the State and the Authority.

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University*, and *Winthrop University*. The universities are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual university because the State provides significant funding to these institutions.

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College,* and *York Technical College*. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

One may obtain stand-alone financial statements for discretely presented component units from the following administrative offices:

South Carolina Public Service Authority
(Santee Cooper)
http://santeecooper.com

South Carolina State Ports Authority
http://scspa.com

South Carolina State Housing Finance and Development
Authority
http://osa.sc.gov

South Carolina Lottery Commission
http://osa.sc.gov

Universities:
Medical University of South Carolina
University of South Carolina
Clemson University
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
http://osa.sc.gov

Technical Colleges:
Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Technical College of the Lowcountry
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College
http://sctechsystem.com

Children's Trust Fund of South Carolina
1205 Pendleton Street, Suite 506
Columbia, South Carolina 29201
http://scchildren.org

Connector 2000 Association, Inc.
Post Office Box 408
Piedmont, South Carolina 29673
http://southernconnector.com

South Carolina Education Assistance Authority
http://osa.sc.gov

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
http://osa.sc.gov

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
http://osa.sc.gov

South Carolina Research Authority
315 Sigma Drive
Summerville, SC 29486
http://scra.org

South Carolina Medical Malpractice
Liability Joint Underwriting Association
c/o Patient's Compensation Fund
121 Executive Center Drive
Suite 110
Columbia, South Carolina 29210
http://scpcf.com

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
http://osa.sc.gov

Related Organizations

A related organization is one for which the primary government is accountable but not *financially accountable.* The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

The State of South Carolina is a member state within the Atlantic Interstate Low-Level Radioactive Waste Management Compact, a voluntary association of states that, by federal law, is legally separate from each of the member states. South Carolina does not have an ongoing financial interest in the Compact.

b. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities.* Taxes, federal revenues, and nonexchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities, and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

Statement of Activities and Eliminations

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The State does not eliminate direct expenses and does not allocate indirect expenses to functions in the statement of activities. In the statement of activities, reimbursements under indirect cost plans for federal reimbursement purposes are reported as program revenues of the function that includes the reimbursed expenses.

Eliminations have been made to minimize the double-counting of internal activities. For example, the State eliminates payments the Department of Health and Human Services makes to the Department of Mental Health for providing Medicaid services because it reports both departments in its health and environment function. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost for functional activities as reported in the total column of that statement. The State treats these internal payments as program revenues and treats interfund reimbursements in the statement of activities in the same manner as described below for fund financial statements.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs; (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and (c) investment earnings that are legally restricted for a specific program. The State classifies as *general revenues* all revenues that are not program revenues, including all taxes.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. The State presents separate statements for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. The State aggregates and reports as nonmajor funds all remaining governmental and enterprise funds.

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with monies from a Special Revenue Fund. That is, the Department of Motor Vehicles recorded Special Revenue Fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

Governmental Funds

Governmental funds focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds. The State reports the following major governmental funds:

The *General Fund* is the State's general operating fund. It accounts for resources that fund the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund.

The *Departmental Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts.

The *Local Governmental Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. This fund includes operations of the South Carolina Transportation Infrastructure Bank.

The *Department of Transportation Special Revenue Fund* accounts for the various gasoline taxes, fees, fines, and federal grant resources that the Department of Transportation uses in its general operations. Those operations include highway maintenance and repair as well as most of the Department's administrative activities.

The State aggregates other nonmajor governmental funds in a single column in its fund financial statements.

Enterprise Funds

Enterprise funds (which are reported as business-type activities in the government-wide financial statements) report activities that charge fees to external users for goods or services. The State reports the following major enterprise funds:

The *Unemployment Compensation Fund* accounts for the State's unemployment compensation benefits. Revenues consist of federal grants and assessments on employers to pay benefits to qualified unemployed persons.

The *Second Injury Fund* serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment. With the ratification of the Workers' Compensation Reform Act the Second Injury Fund was placed in "run-off" and terminated effective July 1, 2013. The Act provided for an orderly termination of the Fund by decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and remaining assets or operational liabilities to the State Fiscal Accountability Authority (SFAA).

The State aggregates other nonmajor enterprise funds in a single column in its fund financial statements.

Other Fund Types

The State reports the following fund types in addition to governmental and enterprise funds:

Internal service funds account for various goods and services provided to other State departments or agencies (primarily to governmental funds), or to other governments, on a cost-reimbursement basis. Services provided by these funds include several risk management activities for which the State is the primary participant, including underwriting related to the following risks: public buildings and their contents, torts, medical malpractice, automobile use by public employees in the performance of their official duties, employee health and disability, and workers' compensation benefits. Other services include those relating to telecommunications, computer operations, office rental, janitorial, building maintenance, lease and repair of fleet vehicles, procurement, and employee training. The internal service funds also sell goods produced with prison inmate labor. In addition, the internal service funds purchase selected supplies and equipment in bulk and sell these items to other State funds (primarily governmental funds) and to local governmental units. The State's internal service funds are considered to be governmental activities because they primarily serve governmental funds.

Pension and post-employment benefit trust funds account for the pension benefits of the South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Supplemental Retirement Plan, and the post-employment health, dental, and long-term disability insurance benefits provided by the State to its retirees.

The State's *investment trust fund* acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and miscellaneous other trust agreements holding assets that benefit non-State parties.

Agency funds account for assets that the State holds as an agent. These assets include amounts held for prisoners, patients of State institutions, and other external parties.

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported as nonoperating.

For the *Unemployment Compensation Fund,* principal operating revenues include amounts received from covered employers and from federal agencies. The amounts received from federal agencies are classified as operating revenues because they are provided to the State primarily to provide unemployment benefits, although amounts not needed for that purpose may be used for other purposes. This fund's operating expenses consist primarily of unemployment compensation benefits paid.

Component Unit Financial Statements

The State presents a statement of net position and a statement of activities for each of its major discretely presented component units and for the aggregate of its nonmajor discretely presented component units.

c. Measurement Focus and Basis of Accounting

A particular measurement focus determines *what* resources are measured. The State reports its government-wide, proprietary, and fiduciary fund (other than agency fund) financial statements using the *economic resources* measurement focus. Agency funds report only assets and liabilities and therefore cannot be said to have a measurement focus. Private sector business enterprises also use the economic resources measurement focus. The State reports its governmental funds using the *current financial resources* measurement focus.

The basis of accounting determines *when* the State recognizes revenues and expenditures/expenses as well as the related assets and liabilities, regardless of measurement focus. Generally accepted accounting principles for governments require the use of the accrual and the modified accrual basis of accounting as described below.

Accrual Basis

The State uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary and fiduciary fund financial statements and its component unit financial statements. Under the accrual basis, the State generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows.

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection.

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Revenues not considered available are reported as deferred inflows of resources.

Recognition of Specific Grant and Shared Revenue Transactions

The State reports the receipt of food commodities and vaccines as revenue and the distribution of commodities and vaccines as expenditure or expense. The fair values of the donated commodities and vaccines are recognized as revenues when all eligibility requirements are met.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditure or expense under both the accrual and modified accrual bases of accounting.

The State shares certain of its revenues with municipalities, counties, and districts within its borders, recognizing expenditure or expense when the recipient government has met all eligibility requirements.

d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent cash on hand, cash on deposit in banks and savings associations, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: retirement plans, the Local Government Investment Pool (an external investment pool), and the Tobacco Settlement Revenue Management Authority (a blended component unit and a nonmajor governmental fund). For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

e. Cash Management Pool–Allocation of Interest

The State's cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Investments

The State Treasurer is authorized by statute to invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing mostly in the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Certain agencies and component units have specific authority to manage deposits and investments under their control. The investment policies of these entities may differ from those of the State Treasurer.

State law has established an eight-member Investment Commission with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The Commission may invest no more than 70.0% of the Systems' investment portfolio in equity securities.

Substantially all of the State's investments are presented at fair value.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained at: http://osa.sc.gov.

g. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience. The State discloses the allowances for uncollectible receivables and the net receivables not expected to be collected within one year in Note 5. Further, the State disaggregates its receivable balances in Note 5 if any significant components thereof have been obscured in the financial statements by aggregation or if different components of receivables have significantly different liquidity characteristics.

The State presents balances outstanding at the end of the fiscal year that relate to lending/borrowing arrangements between funds as interfund receivables and payables and reports all other outstanding balances between funds as due to/from other funds. The government-wide statement of net position displays internal balances that involve fiduciary funds as accounts receivable and accounts payable. The State reports as internal balances any residual balances outstanding between the governmental and business-type activities in the government-wide financial statements.

h. Inventories

The State values its inventories at the lower of cost or market, predominantly using the first-in, first-out methodology for its proprietary funds and its business-type activities and predominantly using the average cost methodology for its other funds and activities and its discretely presented component units. The State records expenditures in governmental funds when it consumes inventory items rather than when it purchases them.

i. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements. The State's policy is to reflect consumption of the future benefit under the consumption method.

j. Capital Assets

The State reports its capital assets in the following categories in the applicable governmental or business-type activities in the government-wide financial statements: land and land improvements, infrastructure (i.e., highways and bridges), buildings and improvements, construction in progress, vehicles, machinery and equipment, works of art and historical treasures, and intangible assets.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated acquisition value on the donation date. Infrastructure assets acquired prior to fiscal years ended after June 30, 1980, are reported at cost beginning in the year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. Net interest incurred by a proprietary fund during the construction phase of a major capital asset is included as part of the capitalized value of such asset.

The State reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based upon this assessment there were no material impairments as of June 30, 2018.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than $100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than $500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

Asset Category	Years
Land Improvements	3 - 60
Infrastructure--highways	75
Infrastructure--bridges	50
Buildings and Improvements	5 - 55
Vehicles	3 - 20
Machinery and equipment	2 - 25
Works of art; historical treasures	10 - 25
Intangible assets	3 - 38

The State does not depreciate land, non-depreciable land improvements, and construction in progress. The State does not depreciate capitalized individual works of art and historical treasures determined to have inexhaustible useful lives and does not capitalize collections of works of art and historical treasures that are held for public use, are protected and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These non-capitalized collections include historical relics, antiques, fossils, and other South Carolina artifacts.

In the government-wide statement of activities, the State reports losses on disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

k. Regulatory Assets and Regulatory Assets-Asset Retirement Obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as regulatory assets and regulatory asset-asset retirement obligation. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority. The abandoned V.C. Summers 2 and 3 projects encompass the majority of the South Carolina Public Service Authority's $4.248 billion regulatory asset.

l. Tax Refunds Payable

Most of the tax refunds payable balance in the General Fund relates to individual income tax. During the calendar year, the State collects employee withholdings and taxpayers' payments. Taxpayers file returns by April 15 for the preceding calendar year. At June 30, the State estimates the amount it owes taxpayers for overpayments during the preceding six months. The State records this estimated payable as tax refunds payable and a reduction of tax revenues.

m. Long-Term Obligations

The State records general long-term debt and other long-term obligations of the primary government's governmental funds in the governmental activities reported in its government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

The State defers and amortizes bond premiums and discounts, as well as losses on bond refundings, over the life of the bonds predominantly using the effective interest method. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is also deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt and are recognized as deferred outflows or inflows of resources. The State reports bonds payable net of the applicable bond premium or discount.

Losses and gains on bond refundings are reported as deferred outflows or inflows of resources, respectively.

n. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees hired prior to July 1, 2012 participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

The government-wide and proprietary fund statements record an expense and a liability when employees earn compensated absence credits. Governmental fund financial statements record a liability for compensated absences payable at June 30 only if the liability for accumulated vacation leave has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements). The State does not record a liability for unpaid accumulated sick leave.

o. Net Position and Fund Balance

The State reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2018, $814.617 million was reported as restricted net position because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if either a state statute or constitutional provision constrains the use of resources of the state. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. Assigned fund balance is constrained through appropriation actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

q. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net position that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, nuclear decommissioning costs, non-exchange revenues, service concession arrangements, pension contributions subsequent to the measurement date, difference between actual and expected experience on investments, net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between contributions and proportionate share of contributions. See Note 9, Deferred Outflows of Resources and Deferred Inflows of Resources, on page 118 for further detail.

r. Pension and Other Post-Employment Benefit (OPEB) Obligations

The South Carolina Retirement Systems' (the Systems) financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The State's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market value are reported at estimated fair value.

For purposes of measuring the net Pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans.

For this purpose, the Plans recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2018, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is intended to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating transparency. See Note 15, Fund Equity Reclassifications and Restatements, on page 145 for further detail.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2018:

Patients' Compensation	$ 40,300
Canteen	793
Tuition Prepayment Program	36,065
Prison Industries	13,534

Actions taken to eliminate deficits include increase of existing fees, assessment of additional fees, purchase of excess loss reinsurance, General Fund appropriations, and implementation of cost containment programs.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, those agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

a. Deposits

The following deposits disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems (the Systems) which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Deposit Policy

The State's deposit policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the State Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. Agencies, with specific authority to manage their deposits outside of the State Treasurer, may have custodial credit risk policies that differ from that of the State Treasurer. Therefore, some deposits presented below have custodial credit risk. See Note 1, sections d and e for additional information on deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2018 was $707.638 million and the bank balance was $1.028 billion. As of June 30, 2018, the reported amount of the primary government's deposits outside of the State Treasurer was $32.910 million and the bank balance was $32.934 million. Of the $9.613 million bank balance exposed to custodial credit risk, $1.654 million was uninsured and uncollateralized, $1.808 million was uninsured and collateralized with securities held by the pledging financial institution, and $6.151 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

b. Investments

The following investment disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Investment Policy

The State's investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Agencies with specific authority to manage their own investments may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Fair Value

The State categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

> Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.
>
> Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
>
> Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the State performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments not having a readily determinable fair value is established using net asset value (or amortized cost) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by the State's custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. The State may override prices provided by the custodian bank if it is deemed necessary or appropriate. The following table is expressed in thousands:

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 153,086	$ —	$ 153,086
U.S. agencies	5,172,654	5,172,654	—
Mortgage backed obligations	705	—	705
Common stock	45,629	45,629	—
Other equity securities	2,131,457	2,131,457	—
Corporate bonds	3,951,532	—	3,951,532
Municipal bonds	5,172	—	5,172
Asset backed securities	755,786	—	755,786
Commercial paper	6,154,739	—	6,154,739
Money market mutual funds	415,144	415,144	—
Bond mutual funds	714,801	714,801	—
Other	65,926	—	65,926
Total investments at fair value	19,566,631	$ 8,479,685	$ 11,086,946
Investments measured at amortized cost			
Repurchase agreements	1,244,081		
Total investments measured at fair value	$ 20,810,712		

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Agencies with specific authority to manage their own investments may have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2018 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	BB	Alternative Rating Agency	Not Rated
U.S. agencies	$ 4,284,393	$ 49,840	$ 812,514	$ 9,936	$ —	$ —	$ 15,971
Mortgage backed obligations	—	705	—	—	—	—	—
Corporate bonds	73,319	367,139	2,305,915	826,414	18,893	—	359,852
Municipal bonds	—	—	—	—	—	—	5,172
Repurchase agreements	—	—	—	—	—	—	1,244,081
Asset backed securities	359,213	393,804	—	—	—	—	2,769
Commercial paper	276,594	4,960,638	219,552	697,955	—	—	—
Money market mutual funds	11,305	—	—	—	—	403	403,436
Bond mutual funds	—	—	—	—	—	—	714,801
Other	—	16,206	—	—	—	—	49,720
Totals	**$ 5,004,824**	**$ 5,788,332**	**$ 3,337,981**	**$ 1,534,305**	**$ 18,893**	**$ 403**	**$ 2,795,802**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2018, the State Treasurer had 6.16% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. In addition, LGIP had investments with JP Morgan Securities LLC, Sumitomo Mitsui Banking Corporation, and the Toronto-Dominion Bank that represented 5.20%, 5.02%, and 5.01% respectively of total investments. As of June 30, 2018, less than 5% of the State's general investment portfolio was in an overnight repurchase agreement with Bank of America.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2018, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. agencies	$ 4,944,945	$ 1,517,657	$ 3,284,028	$ 143,229	$ 31
Mortgage backed obligations	705	—	—	—	705
Corporate bonds	3,485,158	1,185,971	2,097,073	174,919	27,195
Municipal bonds	5,172	—	5,172	—	—
Repurchase agreements	844,037	844,037	—	—	—
Asset backed securities	755,786	—	—	12,461	743,325
Commercial paper	494,594	494,594	—	—	—
Other	63,979	32,800	24,973	6,206	—
Totals	**$ 10,594,376**	**$ 4,075,059**	**$5,411,246**	**$ 336,815**	**$ 771,256**

Agencies that manage their own investments may have interest rate risk policies that differ from that of the State Treasurer. Some of these agencies may not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2018, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 153,086	$ 119,832	$ 32,210	$ 1,044	$ —
U.S. agencies	224,362	222,088	1,990	284	—
Corporate bonds	466,375	90,414	375,162	698	101
Repurchase agreements	400,044	400,044	—	—	—
Commercial paper	5,660,145	4,177,095	1,483,050	—	—
Money market mutual funds	10,735	10,735	—	—	—
Bond mutual funds	714,801	—	699,463	—	15,338
Totals	**$ 7,629,548**	**$ 5,020,208**	**$ 2,591,875**	**$ 2,026**	**$ 15,439**

Market Risk

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result from market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section e of this note.

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2018. At June 30, 2018, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2018, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2018, the State met the 102.0% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received.

Accordingly, at June 30, 2018, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 100,829
Total securities lent for cash collateral	**$ 100,829**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 3,359
Total securities lent for non-cash collateral	**$ 3,359**
Cash collateral invested as follows:	
Repurchase agreements	$ 103,051
Total for cash collateral invested	**$ 103,051**
Securities received as collateral:	
U.S. treasuries	$ 3,423
Total for securities collateral invested	**$ 3,423**

At June 30, 2018, the fair value of securities on loan was $100.829 million. The fair value of the invested cash collateral was $103.051 million. Securities lending obligations were $103.051 million.

d. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand or collateralized with securities held by the State or its agent.

As of June 30, 2018, the carrying amount of the Systems' deposits was $143.862 million and the bank balance was $148.745 million.

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

Fair Value Measurements

The Systems categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are significant unobservable inputs.

The Systems have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Fair Value Measurments Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short Term Investments				
Short Term Investment Funds (U. S. Regulated)	$ 1,144,204	$ 1,144,204	$ —	$ —
Certificates of Deposit	29,177	—	29,177	—
Commercial Paper	550,063	—	550,063	—
Discount Notes	5,792	—	5,792	—
U. S. Treasury Bills	246,693	246,693	—	—
Non U. S. Government Short Term	8,261	—	8,261	—
Corporate Bonds	6,662	—	6,662	—
Total Short Term Investments	$ 1,990,852	$ 1,390,897	$ 599,955	$ —
Equity Allocation				
Global Public Equity				
Common Stocks	$ 4,675,871	$ 4,675,871	$ —	$ —
Real Estate Investment Trusts	998,445	998,445	—	—
Preferred	9,567	2,470	7,097	—
Convertible Preferred	1,307	—	1,307	—
Total Equity	$ 5,685,190	$ 5,676,786	$ 8,404	$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	$ 188,315	$ 188,315	$ —	$ —
U.S. Government Agencies	837,064	—	837,064	—
Mortgage Backed				
Government National Mortgage Association	44,034	—	44,034	—
Federal National Mortgage Association	43,796	—	43,796	—
Federal Home Loan Mortgage Association	2,344	—	2,344	—
Federal Home Loan Mortgage Association (Multiclass)	13,771	—	13,771	—
Collateralized Mortgage Obligations	15,329	—	15,329	—
Municipals	39,207	—	39,207	—
Corporate				
Corporate Bonds	1,761,577	—	1,336,710	424,867
Asset Backed Securities	319,022	—	319,022	—
Private Placements	853,318	—	853,318	—
Yankee Bonds	625	—	625	—
Total Fixed Income	$ 4,118,402	$ 188,315	$ 3,505,220	$ 424,867
Total Investments by Fair Value Level	$ 11,794,444	$ 7,255,998	$ 4,113,579	$ 424,867

(continued)

Recurring fair value measurements as of June 30, 2018, continued (amounts in thousands):

Investments measured at net asset value (NAV)		
Strategic Partnership Short Duration	$	186,061
Global Equity		5,170,346
Global Tactical Asset Allocation		3,092,930
Mixed Credit		16,685
Emerging Debt		1,149,641
Hedge Funds		3,333,496
Private Equity		2,367,353
Private Debt		1,892,516
Real Estate		1,906,157
Total investments measured at NAV		19,115,185
Total investments measured at fair value	$	30,909,629

		Fair Value Measurments Using	
Investment derivative instruments	**At 6/30/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Short Term Investments			
Options - Cash	$ 1,397	$ 1,774	$ (377)
Futures - Cash	545	545	—
Equity Investments			
Options - Equity	(18,104)	27	(18,131)
Futures - Equity	(33,686)	(33,686)	—
Swaps - Equity	(25,775)	—	(25,775)
Fixed Income Investments			
Options - Fixed Income	(158)	(49)	(109)
Futures - Fixed Income	2,809	2,809	—
Swaps - Fixed Income	(211)	—	(211)
Total investment derivative instruments	$ (73,183)	$ (28,580)	$ (44,603)
Total Invested Assets	$ 30,836,446		

For investments measured at net asset value (NAV) (amounts in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Strategic Partnership Short Duration	$ 186,061	$ -	Monthly	5 - 10 days
Global Equity	5,170,346	-	Daily/Monthly	5 - 30 days
Global Tactical Asset Allocation	3,092,930	-	Monthly/Quarterly	5 - 14 days
Mixed Credit	16,685	-	Monthly	5 - 30 days
Emerging Debt	1,149,641	-	Daily/Monthly	10 - 15 days
Hedge Funds	3,333,496	-	Monthly/Quarterly	2 - 90 days
Private Equity	2,367,353	1,090,568	Illiquid	Illiquid
Private Debt	1,892,516	1,585,383	Illiquid	Illiquid
Real Estate	1,906,157	789,987	Illiquid	Illiquid
Infrastructure	-	145,937	Illiquid	Illiquid
Total investments measured at the NAV	$ 19,115,185			

Strategic Partnership Short Duration Funds. This investment type contains one fund that invests primarily in short duration debt instruments which generally have a one to three year maturity. The fair values of the investments have been determined using the percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

Global Equity Funds. This investment type includes eleven funds that invests primarily in global developed and emerging equity public markets instruments. One of the funds invests in an equity options strategy. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

Global Tactical Asset Allocation Funds. This investment type includes five funds that may be invested in liquid securities and instruments including, but not limited to equities, fixed income securities, bank loans, commodities, futures, swaps, forwards, options and currencies. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are allowed monthly, provided adequate notice, except for one fund that may require a longer redemption timeframe and may be subject to gates and/or lock-ups.

Mixed Credit Funds. This investment type includes one fund that generally invests in high yield, bank loan and structured credit instruments. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

Emerging Debt Funds. This investment type includes four funds that generally invests in debt securities issued in any currency and may hold foreign currency. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice, and one fund charges a redemption fee.

Hedge Funds. This investment type includes fourteen funds that generally invests in hedge fund strategies that seek alpha in equity or credit markets, or seek to minimize embedded market beta. There are six of these funds invested through strategic partnership investments which may consist of underlying investments in more than one hedge fund. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice; however, it is common that funds have authority to require longer redemption timeframes and/or make the redemption subject to gates in order to mitigate any detrimental impact to the fund.

Private Equity Funds. This investment type includes 44 funds that consist of investments in limited partnerships or co-investments and five funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private equity investments span the venture capital, growth equity, fund of funds, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Debt Funds. This investment type includes twenty-five funds that consist of investments in limited partnerships and 5 funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, opportunistic and other strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Real Estate Funds. This investment type includes twenty-eight funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, timber, value add and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Infrastructure Funds. This investment type includes one fund that has been subscribed to but has not yet called capital. Common types of infrastructure investments are in transportation, energy, telecommunications, water supply, sewage, or hospitals. These assets tend to benefit from a rising inflation environment. Infrastructure is considered an illiquid investment strategy as funds generally have a life span of 20 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (RSIC) has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio. Disclosures for interest rate risk at June 30, 2018, are noted below (amounts in thousands):

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 1,144,204	$ —	$ 1,144,204	0.08
Invested Securities Lending Collateral	34,612	—	34,612	0.01
Certificates of Deposit	29,177	—	29,177	0.05
Commercial Paper	550,063	3,950	546,113	0.08
Discount Notes	5,792	—	5,792	0.08
U. S. Treasury Bills	246,693	—	246,693	0.29
Non U. S. Government Short Term	8,261	—	8,261	0.07
Corporate Bonds	6,662	—	6,662	0.05
Strategic Partnership Short Duration	186,061	—	186,061	0.13
Options - Cash	1,397	1,464	(67)	0.24
Futures - Cash	545	—	545	1.14
Total Short Term Investments	2,213,467	5,414	2,208,053	
Equity Allocation				
Preferred	$ 9,567	$ 6,749	$ 2,818	3.31
Convertible Preferred	1,307	—	1,307	0.04
Total Equity Investments	10,874	6,749	4,125	
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	188,315	—	188,315	7.54
U.S. Government Agencies	837,064	—	837,064	2.84
Mortgage Backed:				
Government National Mortgage Association	44,034	5,132	38,902	5.27
Federal National Mortgage Assocation	43,796	—	43,796	4.99
Federal Home Loan Mortgage Association	2,344	—	2,344	6.28
Federal Home Loan Mortgage Association (FHLMC Multiclass)	13,771	—	13,771	9.15
Collateralized Mortgage Obligations	15,329	—	15,329	9.92
Municipals	39,207	30,825	8,382	4.59
Corporate:				
Corporate Bonds	1,761,577	69,367	1,692,210	2.05
Mixed Credit	16,685	—	16,685	0.02
Asset Backed Securities	319,022	27,952	291,070	0.65
Private Placements	853,318	86,781	766,537	1.10
Yankee Bonds	625	—	625	1.59
Emerging Debt	1,149,641	—	1,149,641	5.65
Options - Fixed Income	(158)	(51)	(107)	(113.90)
Futures - Fixed Income	2,809	(308)	3,117	1.81
Swaps - Fixed Income	(211)	(2,920)	2,709	10.16
Total Fixed Income	5,287,168	216,778	5,070,390	
Mixed Credit Hedge Fund Allocation				
Mixed Credit Hedge Funds	52,287	—	52,287	(0.06)
Total Mixed Credit Hedge Funds	52,287	—	52,287	
Total Invested Assets	**$ 7,563,796**	**$ 228,941**	**$ 7,334,855**	
Total Portfolio Effective Duration (option adjusted duration)				**2.16**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Systems' staff. The Systems' fixed income investments at June 30, 2018 were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	C	NR[1]
Short Term Investments										
Short Term Investment Funds (U. S. Regulated)	$ 1,144,204	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Invested Securities Lending Collateral	—	—	—	—	—	—	—	—	—	34,612
Certificates of Deposit	—	—	—	—	—	—	—	—	—	29,177
Commercial Paper	—	257,202	—	271,893	—	—	—	—	—	20,968
Discount Notes	5,792	—	—	—	—	—	—	—	—	—
Non U. S. Government Short Term	—	—	—	—	—	—	—	—	—	8,261
Corporate Bonds	—	2,052	4,104	—	—	—	—	—	—	506
Strategic Partnership Short Duration	—	—	—	—	—	—	—	—	—	186,061
Options - Cash	—	—	—	—	—	—	—	—	—	1,397
Futures - Cash	—	—	—	—	—	—	—	—	—	545
Equity Investments										
Preferred	—	—	—	1,379	1,439	—	—	—	—	6,749
Convertible Preferred	—	—	—	1,307	—	—	—	—	—	—
Fixed Income Allocation[2]										
Mortgage Backed:										
Federal National Mortgage Association	43,796	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association	2,344	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association (Multiclass)	13,771	—	—	—	—	—	—	—	—	—
Collateralized Mortgage Association	15,329	—		—	—	—	—	—	—	—
Municipals	630	—	12,900	—	—	—	—	—	—	25,677
Corporate:										
Corporate Bonds	66,597	168,553	369,673	249,489	206,022	231,609	44,012	8,146	12,866	404,610
Mixed Credit	—	—	—	—	—	—	—	—	—	16,685
Asset Backed Securities	70,243	2,188	8,958	29,404	99,681	19,738	12,162	14,385	—	62,263
Private Placements	68,390	125,371	157,504	60,067	60,961	64,879	34,807	2,036	—	279,303
Yankee Bonds	—	—	—	—	625	—	—	—	—	—
Emerging Debt	—	—	—	—	—	—	—	—	—	1,149,641
Options - Fixed Income	—	—	—	—	—	—	—	—	—	(158)
Futures - Fixed Income	—	—	—	—	—	—	—	—	—	2,809
Swaps - Fixed Income	—	—	—	—	—	—	—	—	—	(211)
Totals	**$1,431,096**	**$555,366**	**$553,139**	**$ 613,539**	**$368,728**	**$316,226**	**$ 90,981**	**$24,567**	**$12,866**	**$2,228,895**

[1] *NR represents securities that were either not rated or had a withdrawn rating.*

[2] *U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of $1.03 billion are not included in the above table because they are not subject to credit risk.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6.0% exposure to any single issuer." As of June 30, 2018, there is no single issuer exposure within the portfolio that comprises 5.0% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2018 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Preferred Securities	Fixed Income	Equity	Total
Australian Dollar	$ 2,096	$ 29,327	$ 26	$ 39,740	$ —	$ 3,198	$ 126,130	$ 200,517
Canadian Dollar	10,474	35,534	405	—	—	205	235,139	281,757
Czech Koruna	—	43	—	—	—	—	—	43
Danish Krone	141	(10,987)	—	—	—	11,238	36,836	37,228
Euro Currency	18	54,677	(5,126)	186,379	2,470	188,588	556,195	983,201
Hong Kong Dollar	(1,756)	22,078	(2)	—	—	—	75,325	95,645
Hungarian Forint	8,261	(8,273)	—	—	—	—	—	(12)
Israeli Shekel	18	(4,218)	—	—	—	4,227	5,579	5,606
Japanese Yen	2,615	106,825	(2,997)	—	—	(450)	402,466	508,459
Mexican Peso	326	1,311	—	—	—	—	3,606	5,243
New Zealand Dollar	55	—	—	—	—	—	6,473	6,528
Norwegian Krone	456	(549)	—	—	—	—	38,441	38,348
Pound Sterling	5,243	71,070	(671)	—	—	10,743	294,015	380,400
Russian Ruble (New)	—	(288)	—	—	—	—	—	(288)
Singapore Dollar	407	—	—	—	—	—	19,619	20,026
South African Rand	—	118	—	—	—	—	—	118
Swedish Krona	732	22,129	(20)	—	—	—	48,340	71,181
Swiss Franc	246	137	—	—	—	—	102,130	102,513
Totals	**$ 29,332**	**$ 318,934**	**$ (8,385)**	**$226,119**	**$ 2,470**	**$ 217,749**	**$1,950,294**	**$2,736,513**

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, total return swaps, interest-only strips, and CMOs to enhance the performance and reduce volatility. To comply with the requirements of multiple exchanges, cash and securities in the amount of $192.1 and $288.9 million, respectively, were held in trust by the clearing brokers on June 30, 2018. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on the following pages. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient Market Theory dictates that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The tables below present classification information on the Systems' derivatives at June 30, 2018 (amounts in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation/(depreciation)	$ (4,385)
Forward Contracts	Net appreciation/(depreciation)	(1,039)
Swaps	Net appreciation/(depreciation)	(23,751)

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ (8,061)	$ 545	$ 1,397	$ —
Fixed Income	—	2,809	(158)	(211)
Equity	—	(33,686)	804,428	(25,775)
Totals	**$ (8,061)**	**$ (30,332)**	**$805,667**	**$ (25,986)**

At June 30, 2018, the Systems had the following exposure via futures contracts (amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
90DAY EURO$ FUTURE (CME)	EXP DEC 19	Short	(50)	$ (12,129)
90DAY EURO$ FUTURE (CME)	EXP DEC 20	Short	(86)	(20,859)
90DAY EURO$ FUTURE (CME)	EXP SEP 20	Short	(138)	(33,474)
90DAY EURO$ FUTURE (CME)	EXP JUN 20	Short	(316)	(76,646)
90DAY EURO$ FUTURE (CME)	EXP MAR 20	Short	(209)	(50,693)
Total Cash & Cash Equivalents				(193,801)
OMXS30 IND FUTURE (SSE)	EXP JUL 18	Long	703	12,267
FTSE 100 INDEX FUTURE (ICF)	EXP SEP 18	Long	845	84,803
TOPIX INDEX FUTURE (OSE)	EXP SEP 18	Long	750	117,174
HANG SENG INDEX FUTURE (HKG)	EXP JUL 18	Long	112	20,504
AMSTERDAM INDEX FUTURE (EOE)	EXP JUL 18	Long	146	18,805
FTSE/MIB INDEX FUTURE (MIL)	EXP SEP 18	Long	110	13,850
CAC40 10 EURO FUTURE (EOP)	EXP JUL 18	Long	908	56,405
IBEX 35 INDEX FUTURE (MFM)	EXP JUL 18	Long	136	15,246
EURO STOXX 50 FUTURE (EUX)	EXP SEP 18	Long	1,291	51,113
DAX INDEX FUTURE (EUX)	EXP SEP 18	Long	131	47,064
S&P/TSX 60 INDEX FUTURE (MSE)	EXP SEP 18	Long	310	45,403
SPI 200 FUTURE (SFE)	EXP SEP 18	Long	298	33,841
S & P 500 EMINI INDEX FUT (CME)	EXP SEP 18	Long	14,628	1,990,578
Total Equity				2,507,053

EURO-OAT FUTURE (EUX)......................	EXP SEP 18	Short	(239)	(43,124)
JPN 10YR BOND FUTURE (OSE)..............	EXP SEP 18	Short	(4)	(5,447)
EURO BUXL 30Y BND FUTURE (EUX)...	EXP SEP 18	Short	(39)	(8,091)
EURO-BUND FUTURE (EUX)...................	EXP SEP 18	Short	(34)	(6,453)
CANADA 10YR BOND FUTURE (MSE).	EXP SEP 18	Short	(7)	(727)
AUST 10Y BOND FUTURE (SFE).............	EXP SEP 18	Short	(241)	(23,035)
US LONG BOND FUTURE (CBT).............	EXP SEP 18	Short	(251)	(36,395)
US LONG BOND FUTURE (CBT).............	EXP SEP 18	Long	25	3,625
US 2YR TREAS NTS FUT (CBT)..............	EXP SEP 18	Long	2,962	627,435
US 5YR TREAS NTS FUTURE (CBT)......	EXP SEP 18	Long	3,866	439,244
US 10YR NOTE FUTURE (CBT)................	EXP SEP 18	Long	1,924	231,241
US 5YR TREAS NTS FUTURE (CBT)......	EXP SEP 18	Long	740	84,077
US 10YR NOTE FUTURE (CBT)................	EXP SEP 18	Long	741	89,059
US 5YR TREAS NTS FUTURE (CBT)......	EXP SEP 18	Short	(218)	(24,769)
US 10YR ULTRA FUTURE (CBT).............	EXP SEP 18	Short	(34)	(4,360)
Total Fixed Income				1,322,280
Totals				**$ 3,635,532**

**Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. As of June 30, 2018, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	$ 43,151	$ 131	2.28%
Bank of Montreal	175,677	(2,272)	9.27%
BNP Paribas	14,116	(131)	0.74%
BNY Mellon	240,546	777	12.70%
Brown Brothers Harriman	14,819	(3)	0.78%
Citibank NA	50,749	9	2.68%
Citigroup Global Markets	364	(1)	0.01%
Commonwealth Bank of Australia	175,638	(2,233)	9.27%
Credit Agricole	128	(10)	0.01%
Credit Suisse International London	1,365	1	0.07%
Goldman Sachs	80,853	915	4.27%
HSBC Bank	16,816	24	0.89%
JP Morgan Chase Bank	89,060	1,754	4.70%
Merrill Lynch International	56	(2)	—
Morgan Stanley	10,299	342	0.54%
Natwest Markets	781	49	0.04%
Royal Bank of Canada	425,129	(2,284)	22.44%
Standard Chartered Bank London	17,047	(447)	0.90%
State Street Boston Capital Market	152,994	(184)	8.08%
Toronto Dominion	2,964	(58)	0.16%
UBS AG/Stamford CT	206,451	(2,280)	10.90%
Westpac Banking Corp	175,563	(2,158)	9.27%
Totals	**$ 1,894,566**	**$ (8,061)**	**100.00%**

Swaps

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

The table below reflects the counterparty credit ratings at June 30, 2018, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aa2	$ (1,529)	$ —	$ —	$ (1,529)
Aa3	(5,100)	(22,991)	(226)	(28,317)
A1	(1,817)	(2,763)	(91)	(4,671)
A2	(1)	(4,175)		(4,176)
A3	(2)	—		(2)
Baa2	49		(109)	(60)
NR	339		37	376
Total subject to credit risk	$ (8,061)	$ (29,929)	$ (389)	$ (38,379)
Centrally cleared:				
Chicago Board Options Exchange	$ —	$ —	$ (16,476)	$ (16,476)
Chicago Mercantile Exchange	—	492	—	492
Intercontinental Exchange	—	1,512	—	1,512
LCH Ltd	—	1,939	—	1,939
Total not subject to credit risk	$ —	$ 3,943	$ (16,476)	$ (12,533)
Total	**$ (8,061)**	**$(25,986)**	**$(16,865)**	**$(50,912)**

At June 30, 2018, the Systems held swaps as shown in the tables below (amounts in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*	Gain (Loss) Since Trade
Bank of America	Russell 2000 Proxy	Russell 2000 Index Total Return	ICE LIBOR USD 3M - 30 bps	9/28/2018	$ (273,449)	$ (18,326)	$ (18,325)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 24 bps	LBUSTRUU Index	1/31/2019	347,116	(1,093)	(4,619)
Barclays	Barclays US Securitized Proxy	ICE LIBOR USD 1M + 15 bps	LD19TRUU Index	7/31/2018	129,575	(200)	(2,273)
Barclays	Barclays US Corporate Proxy	ICE LIBOR USD 1M + 25 bps	LUACTRUU Index	7/31/2018	98,452	(772)	(3,571)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 26 bps	LBUSTRUU Index	2/28/2019	355,788	(1,152)	(892)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 27 bps	LBUSTRUU Index	9/28/2018	296,294	(966)	(7,975)
Goldman Sachs	MSCI World Swap Proxy	ICE LIBOR USD 3M	NDDUWI Index	7/31/2018	541,492	894	(30,972)
Goldman Sachs	Russell 2500 Growth Proxy	ICE LIBOR USD 3M + 29 bps	Russell 2500 Growth Index	11/30/2018	141,914	(3,651)	11,900
JP Morgan	Russell 2000 Proxy	Russell 2000 Index Total Return	ICE LIBOR USD 3M - 23 bps	10/31/2018	(72,662)	(4,692)	(4,692)
					$ 1,564,520	**$ (29,958)**	**$ (61,419)**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America	Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	$ 2,450	$ 19
Barclays	Credit Default Swaps	Fixed Rate	Variable Rate	12/20/23	400	8
Credit Suisse	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	12,500	(6)
HSBC Securities	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/21	1,200	9
JP Morgan	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	2,200	(1)
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed Rate	Variable Rate	various	303,318	492
Intercontinental Exchange	Cleared Credit Default Swaps	Variable Rate	Fixed Rate	various	99,600	1,512
LCH.Ltd	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	149,658	1,939
					$ 571,326	**$ 3,972**

**Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.*

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. As of June 30, 2018, the Systems had the following option positions (amounts in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Dec 19 097.000 ED 12/16/19	90DAY EURODOLLAR FUTURE DEC 19	December 2019	(1,083)	$ (663)
Put Dec 19 097.625 ED 12/16/19	90DAY EURODOLLAR FUT DEC 19	December 2019	1,083	1,841
Put Dec 18 097.625 ED 12/17/18	90DAY EURODOLLAR FUTURE DEC 18	December 2018	2,328	1,688
Put Dec 18 097.500 ED 12/17/18	90DAY EURODOLLAR FUT DEC 18	December 2018	(2,328)	(1,091)
Call Aug 18 019.500 ED 082118	MXN/USD SPOT OPTION 2018	August 2018	(3,050,000)	(97)
Call Aug 18 066.190 ED 082418	RUB/USD SPOT OPTION 2018	August 2018	(1,400,000)	(12)
Call Aug 18 066.090 ED 082718	RUB/USD SPOT OPTION 2018	August 2018	(1,400,000)	(12)
Call Aug 18 065.962 ED 082418	RUB/USD SPOT OPTION 2018	August 2018	(3,400,000)	(25)
Call Aug 18 066.400 08/24/2018	RUB/USD SPOT OPTION 2018	August 2018	(2,300,000)	(15)
Call Aug 18 067.400 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,000,000)	(4)
Call Aug 18 066.550 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,800,000)	(9)
Call Aug 18 066.490 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,800,000)	(9)
Call July 18 066.600 ED 07/9/18	RUB/USD SPOT OPTION 2018	July 2018	(1,700,000)	(1)
Call July 18 066.3834 ED 070218	RUB/USD SPOT OPTION 2018	July 2018	(1,400,000)	—
Call Aug 18 021.850 ED 081718	MXN/USD SPOT OPTION 2018	August 2018	(1,600,000)	(4)
Call July 18 021.250 ED 071118	MXN/USD SPOT OPTION 2018	July 2018	(480,000)	(1)
Call July 18 021.200 ED 070518	MXN/USD SPOT OPTION 2018	July 2018	(2,020,000)	(1)
Call July 18 019.250 ED 071918	MXN/USD SPOT OPTION 2018	July 2018	(3,050,000)	(96)
Call Aug 18 021.940 ED 081618	MXN/USD SPOT OPTION 2018	August 2018	(1,800,000)	(3)
Call Aug 18 021.920 ED 082118	MXN/USD SPOT OPTION 2018	August 2018	(1,800,000)	(4)
Put July 18 001.332 ED 071218	USD/GBP SPOT OPTION 2018	July 2018	(1,441,000)	(21)
Put July 18 001.3225 ED 071218	USD/GBP SPOT OPTION 2018	July 2018	(3,800,000)	(32)
Put Aug 18 000.722 ED 08/20/18	USD/AUD SPOT OPTION 2018	August 2018	(8,200,000)	(32)
Total Cash & Cash Equivalents				1,397
Put July 18 000.750 ED 07/18/18	CDX SP CDX.NA.IG.30 V1	July 2018	(2,100,000)	$ (1)
Put July 18 000.750 ED 071818	CDX SP CDX.NA.IG.30 V1 062023	July 2018	(2,200,000)	(1)
Put Dec 19 002.945 ED 120919	IRS P US0003M R 2.945% 12/11/4	December 2019	2,200,000	144
Put Aug 18 002.940 ED 08/20/18	IRS P USD 30Y 97BPS R 2.94%	August 2018	1,600,000	35
Put Aug 18 002.800 ED 08/20/18	IRS P USD 5Y 22BPS R 2.8%	August 2018	(6,900,000)	(51)
Put Aug 18 002.905 ED 082018	IRS P USD 30Y 98BPS R 2.905%	August 2018	4,900,000	130
Put Aug 18 002.800 ED 082018	IRS P USD 5Y 22BPS R 2.8%	August 2018	(21,600,000)	(159)
Put Dec 19 002.750 ED 12/09/19	IRS P US0003M R 2.75% 12/11/24	December 2019	(9,900,000)	(206)
Put Aug 18 119.500 ED 072718	US 10YR NOTE FUTURE SEP 18	August 2018	(59)	(11)
Put Aug 18 161.500 ED 07/27/18	EURO-BUND FUTURE SEP 18	August 2018	(78)	(28)
Put Aug 15 160.500 ED 07/27/18	EURO-BUND FUTURE SEP 18	August 2018	(71)	(10)
Total Fixed Income				(158)
Put July 18 2770.000 ED 072018	S&P 500 INDEX SPX	July 2018	(1,154)	$ (6,636)
Put July 18 2755.000 ED 072718	S & P 500 INDEX (SPX)	July 2018	(383)	(1,969)
Put July 18 2780.000 ED 071318	S & P 500 INDEX (SPX)	July 2018	(380)	(2,367)
Put Aug 18 2720.000 ED 083118	S & P 500 INDEX (SPX)	August 2018	(1,154)	(6,497)
Put July 18 2730.000 ED 070618	S & P 500 INDEX (SPX)	July 2018	(384)	(856)
Call Jan 19 3000.000 ED 011819	S & P 500 INDEX (SPX)	January 2019	116	124
Call Jan 19 055.000 ED 011819	ISHARES MSCI EMERGING MARKET	January 2019	5,367	27
Put July 18 2770.000 ED 072018	S & P 500 INDEX (SPX)	July 2018	1,508	70
Total Equity				(18,104)
Total				**$ (16,865)**

Alternative Investments

The Alternative Investment category includes the following asset classes: private equity, hedge funds, private debt, real estate, and infrastructure.

Private equity, private debt, and real estate investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. Hedge fund and commodities investments are typically on subscription basis with a single, initial investment with no further commitment.

The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts may include allocations to any asset class including those considered alternative investments. Assets of Strategic Partnerships are reported within their respective asset class totals.

The Investment Commission's intent is to access superior risk-adjusted returns through investing in alternative investment asset classes. Due to their low correlation to traditional asset classes, alternative investments diversify the portfolio and help reduce the risk associated with volatility of returns.

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt, real estate and private infrastructure investments. As of June 30, 2018, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

Limited Partnerships USD	Total Commitment	Amount Funded To Date	Remaining Unfunded Commitment
Private Equity	$ 4,137,812	$ 3,304,186	$ 833,626
Private Debt	5,064,658	3,479,275	1,585,383
Real Estate	3,120,476	2,330,489	789,987
Totals	$ 12,322,946	$ 9,113,950	$ 3,208,996
Limited Partnerships Euros			
Private Equity	€ 429,080	€ 244,185	€ 184,895
Infrastructure	125,000	—	125,000
Totals	€ 554,080	€ 244,185	€ 309,895
Limited Partnerships AUD			
Private Equity	$ 100,000	$ 44,401	$ 55,599
Totals	$ 100,000	$ 44,401	$ 55,599

Securities Lending

The Retirement Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102% of the fair value of the securities loaned for U.S. Securities, 105% for cross currency securities and 107% for equity securities, providing a margin against a decline in the market value of collateral. If the collateral value falls below 102%, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of $1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2018 included U.S. Government securities, U.S. Government agencies, corporate bonds, non U.S. sovereign debt and global equities. The contractual agreement between the RSIC and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash, U. S. Government securities, corporate securities, asset-backed securities and global equities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset.

A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2018, the fair value of securities on loan was $78.639 million. The fair value of the invested cash collateral was $34.612 million. Securities lending obligations were $81.591 million with an unrealized loss in invested cash collateral of $46.979 million. The unrealized loss from securities lending activity was determined based on the settlement agreement between BNY Mellon and the State.

Under the agreement with BNY Mellon, the $46.979 million in unrealized loss is being gradually offset by a portion of securities lending earnings over a period of years. The gross securities lending revenue for the fiscal year was $1.993 million, an increase from $773 thousand in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2018, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
Corporate bonds	$ 11,941	$ 2,046	$ 14	$ 71	$ 11	$ 14,083
Global Public Equity	54,737	9,380	62	324	53	64,556
Total securities lent for cash collateral	**$ 66,678**	**$ 11,426**	**$ 76**	**$ 395**	**$ 64**	**$ 78,639**
Securities lent for non-cash collateral:						
U.S Government Securities	$ 66,512	$ 11,398	$ 76	$ 394	$ 64	$ 78,444
Corporate bonds	168	29	—	1	—	198
Global Public Equity	726,125	124,433	827	4,300	700	856,385
Total securities lent for non-cash collateral	**$ 792,805**	**$135,860**	**$ 903**	**$ 4,695**	**$ 764**	**$ 935,027**
Cash collateral invested as follows:						
Repurchase agreements	$ 29,348	$ 5,029	$ 33	$ 174	$ 28	$ 34,612
Total cash collateral invested	**$ 29,348**	**$ 5,029**	**$ 33**	**$ 174**	**$ 28**	**$ 34,612**
Securities received as collateral:						
U.S. Government securities	$ 149,018	$ 25,537	$ 170	$ 883	$ 143	$ 175,751
Global Public Equity	681,613	116,805	776	4,036	657	803,887
Global Fixed Income	41,173	7,056	47	244	40	48,560
Total securities received as collateral	**$ 871,804**	**$149,398**	**$ 993**	**$ 5,163**	**$ 840**	**$1,028,198**

e. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2018, the Trusts had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to the Trust's investments in the State internal cash management pool, all of the Trust's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Fair Value Measurements

The Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trusts have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. agencies	$ 514,105	$ 514,105	$ —
Collateralized mortgage-backed obligations	88,274	—	88,274
Repurchase agreements	8,150	8,150	—
Corporate bonds	464,693	—	464,693
Financial paper	101,388	—	101,388
Total Investments at Fair Value	$ 1,176,610	$ 522,255	$ 654,355

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2018, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

Investment Type and Fair Value	AAA / AA	A / A1 / A2	BAA/BA	B/1/B/2/B/3	Not Rated
U.S. agencies	$ 514,105	$ —	$ —	$ —	$ —
Collateralized mortgage-backed obligations	88,274	—	—	—	—
Repurchase Agreements	—	—	—	8,150	—
Corporate Bonds	36,433	138,987	233,519	45,438	10,316
Financial Paper	8,254	48,629	44,505	—	—
Totals	**$ 647,066**	**$ 187,616**	**$ 278,024**	**$ 53,588**	**$ 10,316**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2018, the maturities of the investments for the Trusts that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. agencies	$ 514,105	$ 151	$ 247,392	$ 112,308	$ 154,254
Collateralized mortgage-backed obligations	88,274	5	97	2	88,170
Repurchase Agreements	8,150	8,150	—	—	—
Corporate bonds	464,693	109,047	253,950	100,471	1,225
Financial paper	101,388	12,153	63,195	15,155	10,885
Totals	**$ 1,176,610**	**$ 129,506**	**$ 564,634**	**$ 227,936**	**$ 254,534**

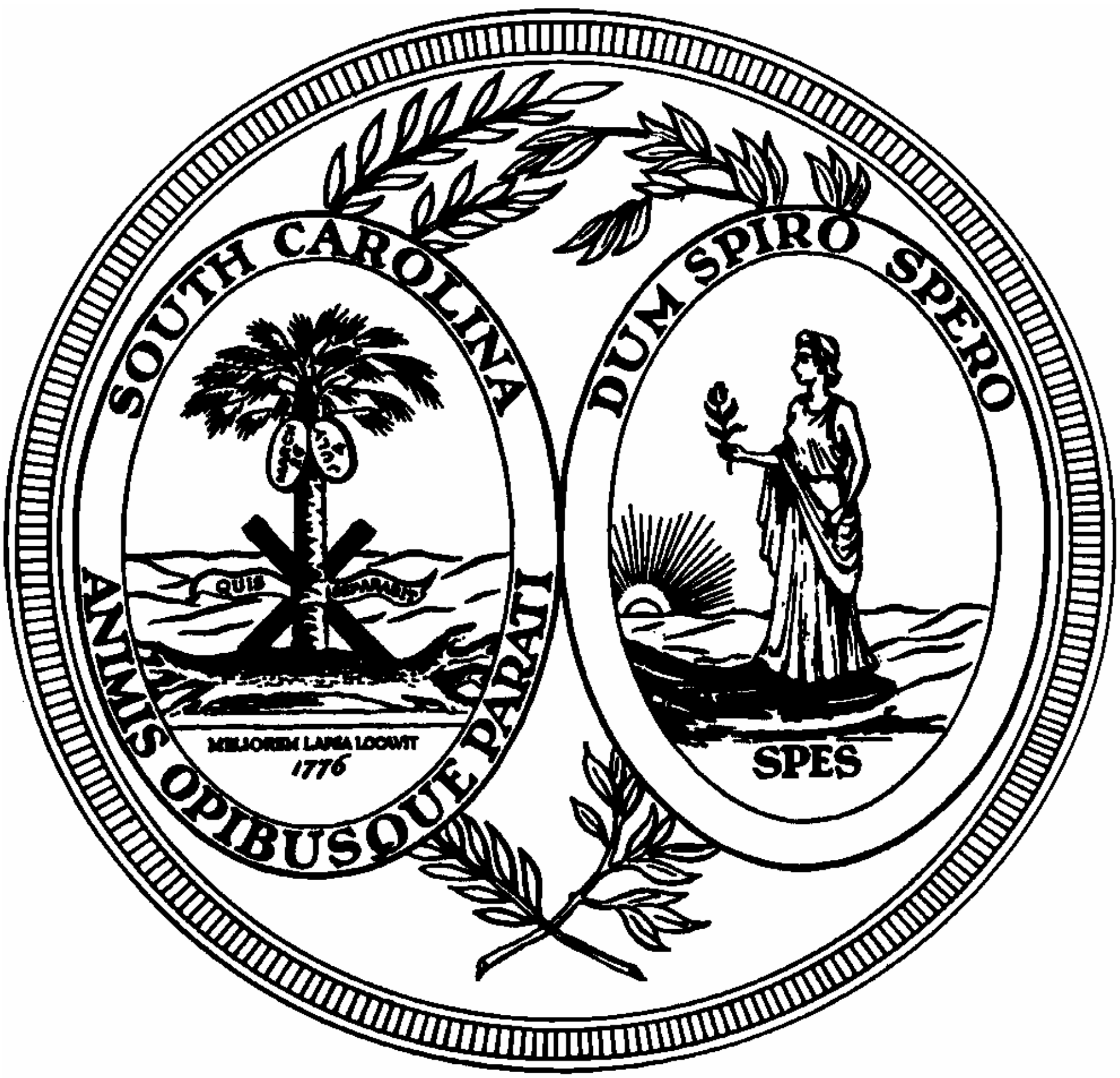
Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2018, the Trusts did not have any single issuers of debt that were not fully collateralized by U.S. Government obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The Trusts have no securities lending losses as of June 30, 2018. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Government Securities	$ 6,155
Repurchase agreements	1,959
Total securities lent for cash collateral	**$ 8,114**
Cash collateral invested as follows:	
U.S. Government Securities	$ 7,181
Repurchase agreements	1,107
Total for cash collateral invested	**$ 8,288**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NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for governmental activities uncollectible receivables (expressed in thousands) at June 30, 2018, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
Allowances related to	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes	$ 466,332	$ —	$ —	$ —	$ —	$ 466,332
Sales and other taxes	235,263	—	—	31,879	—	267,142
Patient accounts	2,904	—	—	—	—	2,904
Other	11,328	10,105	421	—	29	21,883
Total allowances for uncollectibles	**$ 715,827**	**$ 10,105**	**$ 421**	**$ 31,879**	**$ 29**	**$ 758,261**

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Allowances for business-type activities uncollectible receivables (expressed in thousands) at June 30, 2018 were as follows:

	Business-type Activities (Enterprise Funds)
Allowances related to	Unemployment Compensation Benefits
Assessments	$ 34,054
Other	8,085
Total allowances for uncollectibles	**$ 42,139**

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2018, were as follows:

	Governmental Activities						
	Governmental Funds						
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 20,441	$ 60,469	$ —	$ —	$ —	$ 321	$ 81,231
Sales and other taxes	1,037	—	—	—	—	—	1,037
Patient accounts	2,563	1,711	—	—	—	—	4,274
Loans and notes	35,784	429	630,752	610	—	—	667,575
Accounts receivable—restricted	—	—	95,301	—	—	—	95,301
Total long-term receivables, net	**$ 59,825**	**$ 62,609**	**$ 726,053**	**$ 610**	**$ —**	**$ 321**	**$ 849,418**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unearned revenue in the governmental funds (expressed in thousands) at June 30, 2018, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ 3,779	$ —	$ 3,779
Federal grants	62,052	111,385	173,437
Contributions	60,737	208,385	269,122
Departmental services	—	43,044	43,044
Total unearned revenues	$ 126,568	362,814	$ 489,382
Internal service funds		164,758	
Total governmental activities		$ 527,572	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2018, for the primary government was as follows:

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 2,049,407	$ 62,463	$ (2,979)	$ 2,108,891
Construction in progress	2,805,901	932,937	(418,583)	3,320,255
Works of art and historical treasures	7,276	1,336	—	8,612
Intangibles	12	—	—	12
Total capital assets not being depreciated	4,862,596	996,736	(421,562)	5,437,770
Capital assets being depreciated:				
Land improvements	113,949	856	—	114,805
Infrastructure (road and bridge network)	14,273,827	266,860	(11,974)	14,528,713
Buildings and improvements	2,161,478	99,003	(11,865)	2,248,616
Vehicles	784,259	123,385	(67,412)	840,232
Machinery and equipment	612,698	53,087	(30,204)	635,581
Works of art and historical treasures	1,508	—	—	1,508
Intangibles	137,837	31,151	(254)	168,734
Total capital assets being depreciated	18,085,556	574,342	(121,709)	18,538,189
Less accumulated depreciation for:				
Land improvements	(62,007)	(2,731)	—	(64,738)
Infrastructure (road and bridge network)	(3,863,469)	(205,772)	7,032	(4,062,209)
Buildings and improvements	(1,103,779)	(58,691)	6,361	(1,156,109)
Vehicles	(607,027)	(70,697)	65,934	(611,790)
Machinery and equipment	(443,731)	(29,392)	22,011	(451,112)
Works of art and historical treasures	(541)	(60)	—	(601)
Intangibles	(106,145)	(2,334)	112	(108,367)
Total accumulated depreciation	(6,186,699)	(369,677)	101,450	(6,454,926)
Total capital assets being depreciated, net	11,898,857	204,665	(20,259)	12,083,263
Capital assets for governmental activities, net	**$ 16,761,453**	**$ 1,201,401**	**$ (441,821)**	**$ 17,521,033**

During the fiscal year ended June 30, 2018, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 2,316	$ 17,514	$ 19,830
Education	35,645	—	35,645
Health and environment	12,338	—	12,338
Social services	757	—	757
Administration of justice	27,237	282	27,519
Resources and economic development	30,530	—	30,530
Transportation	243,058	—	243,058
Total depreciation expense, governmental activities	**$ 351,881**	**$ 17,796**	**$ 369,677**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 171,101	$ 7,108	$ (1,323)	$ 176,886
Construction in progress	62,658	27,774	(1,962)	88,470
Total capital assets not being depreciated	233,759	34,882	(3,285)	265,356
Capital assets being depreciated:				
Land improvements	1,244	—	—	1,244
Buildings and improvements	22,228	603	(6,243)	16,588
Vehicles	1,370	—	(80)	1,290
Machinery and equipment	8,957	143	(772)	8,328
Intangibles	1,265	9	—	1,274
Total capital assets being depreciated	35,064	755	(7,095)	28,724
Less accumulated depreciation for:				
Land improvements	(1,065)	(15)	—	(1,080)
Buildings and improvements	(5,906)	(588)	821	(5,673)
Vehicles	(744)	(151)	80	(815)
Machinery and equipment	(4,663)	(570)	290	(4,943)
Intangibles	(230)	(127)	—	(357)
Total accumulated depreciation	(12,608)	(1,451)	1,191	(12,868)
Total capital assets being depreciated, net	22,456	(696)	(5,904)	15,856
Capital assets for business-type activities, net	**$ 256,215**	**$ 34,186**	**$ (9,189)**	**$ 281,212**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $2.111 million with accumulated depreciation of $5.080 million. Depreciation expense for fiscal year 2018 was $216 thousand. There were additions of $41 thousand for equipment during the year.

At June 30, 2018, the primary government had outstanding construction commitments totaling $42.945 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $20.421 million for significant permanent improvement projects. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling $157.910 million at June 30, 2018, related to information technology projects.

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. The South Carolina Public Employee Benefit Authority (PEBA) was created effective July 1, 2012 and administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the South Carolina Retirement System Investment Commission, which consists of eight members appointed by mostly elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The Systems' financial statements may be obtained by writing to:

Retirement Systems Finance
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, South Carolina 29223
http://www.peba.sc.gov

The **South Carolina Retirement System** (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **South Carolina Police Officers Retirement System** (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **Retirement System for Members of the General Assembly of the State of South Carolina** (GARS), a single-employer defined benefit pension plan, was created effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012. Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, persons elected to the General Assembly in November 2012 or after must elect membership in SCRS, the State Optional Retirement Program (State ORP), or may elect non-membership. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).

The **Retirement System for Judges and Solicitors of the State of South Carolina** (JSRS), a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the State. All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age. Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60. The mandatory retirement age is 72.

A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of the current active salary). The normal form of payment for a married member is a 33.3% joint and survivor annuity. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

The **South Carolina National Guard Supplemental Retirement Plan** (SCNG), a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard. National Guard members are considered to be federal government employees. The federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members' salaries only if the Governor activates the National Guard for service to the State. A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG retirees.

The pension benefit that the State provides is intended only to supplement the retirement benefit that Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of South Carolina National Guard duty, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to $50 per month for twenty years of creditable service with an additional $5 per month for each additional year of service, provided that the total pension shall not exceed $100 per month.

Each plan is independent. Assets of each plan may be used only to benefit participants of that plan. PEBA does not have the authority to establish or amend the benefit terms of SCRS, PORS, GARS, JSRS, and SCNG without a legislative change in the code of laws. Additionally, the plans provide retirement, death, and disability benefits to State employees; public school employees; and employees of counties, municipalities, and certain other State political subdivisions.

A summary of information related to members of the five plans is as follows at June 30, 2018:

	SCRS	PORS	GARS	JSRS	SCNG
Active Contributing Members	193,985	27,056	87	160	12,116
Retirees and Beneficiaries Currently Receiving Benefits	140,288	17,887	354	213	4,789
Terminated Members Entitiled to But Not Yet Receiving Benefits	176,045	16,004	35	3	1,901
Total Membership	510,318	60,947	476	376	18,806

b. Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments

The financial statements of the previously-described plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Retirement benefits and refunded expenses are recognized when due and payable in accordance with the terms of each plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement Systems (PORS), the Retirement System for Members of the General Assembly of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG) and additions to/deductions from SCRS', PORS', GARS', JSRS', and SCNG's fiduciary net position have been determined on the same basis as they are reported by SCRS, PORS, GARS, JSRS, and SCNG. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1f specifies the method used to value pension trust fund investments.

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

By law, employee contribution requirements for the fiscal year ended June 30, 2018, were as follows:

Plan	Rate
SCRS	9.00% of earnable compensation
PORS	9.75% of earnable compensation
GARS	11.00% of earnable compensation
JSRS	10.00% of earnable compensation
SCNG	Non-contributory by employees

Actuarially-determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2018, were as follows:

Plan	Rate
SCRS	13.56%
PORS	16.24%
JSRS	49.42%

Contributions to SCRS, PORS, and JSRS from the State were $168.903 million, $61.790 million, and $11.043 million, respectively, for the year ended June 30, 2018. The GARS employer contribution of $5.428 million was actuarily determined and included incidental death benefits. The State contributed $4.814 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2018. Additionally, the State contributed $104.974 million to SCRS and $13.122 million to PORS above its proportionate employer contributions. These may qualify as special funding situations for SCRS and PORS in future years if these additional contributions become a consistent part of the State's annual budget.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the State reported $2.938 billion and $793.572 million for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the State's SCRS proportion was 13.05%, which was an increase of 0.11% from its proportion measured as of June 30, 2016. The State's PORS proportion of the net pension liability at June 30, 2017 was 28.97%, which was an increase of 0.09% from its proportion measured as of June 30, 2016.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2016, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2018, the State recognized pension expenses of $313.677 million for SCRS, $91.725 million for PORS, $15.144 million for JSRS, $4.949 million for GARS, and $4.015 million for SCNG.

According to South Carolina Code of Laws 9-1-1180, the State is responsible for contributing the employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRS and PORS, but remitted instead to each school district and technical college for their contribution payments, GASB 68 requires that the school districts and technical colleges recognize the portions of the SCRS and PORS net pension liabilities that relate to their respective employees. As the State is actually responsible for these net pension liabilities, the State's effective share of the SCRS net pension liability was approximately $13.010 billion (or 57.79% of the total net SCRS pension liability) at June 30, 2018, with related pension expenses of approximately $1.271 billion for the year ended June 30, 2018. Likewise, the State's effective share of the PORS net pension liability was approximately $809.946 million at June 30, 2018 (or 29.56% of the total net PORS pension liability), with related pension expenses of approximately $93.822 million for the year ended June 30, 2018. As prescribed by GASB 68, the teachers and technical college employee-related net pension liabilities and corresponding pension expenses are not included in the State's net pension liability or in the State's pension expense.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

	SCRS	PORS	JSRS	GARS	SCNG	Total
Deferred Outflows of Resources						
State Contributions Subsequent to the Measurement Date………………...….	$ 168,903	$ 61,790	$ 11,043	$ 5,428	$ 4,814	$ 251,978
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	113,229	11,686	—	—	—	124,915
Net Differences Between Projected and Actual Earnings on Pension Plan Investments…………………………..	82,021	28,278	3,619	1,014	791	115,723
Differences Between Expected and Actual Experience…………………….	13,099	7,076	—	—	442	20,617
Changes in Assumptions……………..	172,002	75,317	10,753	829	3,779	262,680
Total…………………………………...	$ 549,254	$ 184,147	$ 25,415	$ 7,271	$ 9,826	$ 775,913
Deferred Inflows of Resources						
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	$ 83,959	$ 26,819	$ —	$ —	$ —	$ 110,778
Differences Between Expected and Actual Experience…………………….	1,629	—	3,322	124	1,740	6,815
Total…………………………………...	$ 85,588	$ 26,819	$ 3,322	$ 124	$ 1,740	$ 117,593

$251.978 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2019. Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions (expressed in thousands) will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	JSRS	GARS	SCNG
2019	$ 89,209	$ 28,041	$ 2,369	$ 951	$ 475
2020	137,997	38,981	4,881	695	743
2021	92,761	26,615	3,482	299	464
2022	(25,204)	1,901	318	(226)	90
2023	—	—	—	—	245
Thereafter	—	—	—	—	1,255
	$ 294,763	$ 95,538	$ 11,050	$ 1,719	$ 3,272

The total pension liabilities in the July 1, 2016 actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS	GARS	JSRS	SCNG
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25%	7.25%	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (Varies by Service)	3.5% to 9.5% (Varies by Service)	None	2.75%	None
Inflation Rate	2.25%	2.25%	2.25%	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or $500	Lesser of 1% or $500	None	2.75%	None

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety, Firefighters and Members of the South Carolina National Guard	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**45.0%**		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	**8.0%**		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Commodities	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.92%	0.23%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	**100.0%**		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			**7.56%**

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS and PORS participating employers will be made at contractually required rates, actuarially determined (for SCRS and PORS participation amounts see the final paragraph on page 107). Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (expressed in thousands)

	GARS	JSRS	SCNG
Total Pension Liability			
Service Cost	$ 488	$ 6,186	$ 696
Interest	5,293	20,404	4,589
Difference Between Actual and Expected Experience	(348)	(995)	(843)
Assumption Changes	2,330	13,790	4,161
Benefit Payments	(6,737)	(18,602)	(4,426)
Net Change in Total Pension Liability	1,026	20,783	4,177
Total Pension Liability at June 30, 2017	73,702	278,256	63,045
Total Pension Liability at June 30, 2018 (a)	$ 74,728	$ 299,039	$ 67,222
Plan Fiduciary Net Position			
Contributions - Employer	$ 4,539	$ 10,534	$ 4,591
Contributions - Member	468	2,928	—
Refunds of Contributions to Members	—	(629)	—
Retirement Benefits	(6,678)	(17,679)	(4,425)
Death Benefits	(59)	(293)	—
Net Investment Income (Loss)	3,329	16,399	2,533
Administrative Expense	(17)	(79)	(13)
Other	19	253	—
Net Change in Plan Fiduciary Net Position	1,601	11,434	2,686
Plan Fiduciary Net Position at June 30, 2017	30,188	140,717	23,350
Plan Fiduciary Net Position at June 30, 2018 (b)	$ 31,789	$ 152,151	$ 26,036
Net Pension Liability at June 30, 2018 (a) - (b)	$ 42,939	$ 146,888	$ 41,186

The following table presents the State's proportionate share of the SCRS and PORS net pension liabilities and the GARS, JSRS, and SCNG net pension liabilities calculated using the discount rate of 7.25%, as well as what the State's respective net pension liabilities (expressed in thousands) would be if it were calculated using a discount rate of 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 3,786,949	$ 2,938,212	$ 2,423,225
PORS	1,071,473	793,572	574,673
GARS	49,589	42,939	37,535
JSRS	180,690	146,888	120,045
SCNG	50,043	41,186	34,443

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 303,213	$ 32,357	$ 32	$ 810	$ —	$ 336,412
Accrued interest	39,429	6,763	49	236	42	46,519
Unsettled investment sales	520,220	89,148	592	3,081	502	613,543
Other investment receivables	986	169	1	6	1	1,163
Total receivables	**$ 863,848**	**$ 128,437**	**$ 674**	**$ 4,133**	**$ 545**	**$ 997,637**
Due from other funds	**$ —**	**$ 278**	**$ —**	**$ —**	**$ —**	**$ 278**
Investments and invested securities lending collateral:						
Short-term securities	$ 497,097	$ 85,186	$ 566	$ 2,944	$ 479	$ 586,272
Fixed income	4,482,965	768,228	5,104	26,549	4,322	5,287,168
Equity-international	11,761,071	2,015,451	13,391	69,650	11,338	13,870,901
Alternatives	8,054,600	1,380,287	9,170	47,700	7,765	9,499,522
Invested securities lending collateral	29,348	5,029	33	174	28	34,612
Total investments	**$ 24,825,081**	**$ 4,254,181**	**$ 28,264**	**$ 147,017**	**$ 23,932**	**$ 29,278,475**

f. Deferred Retirement Option Plans

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. The TERI program was closed effective June 30, 2018. Any member entering the TERI program after July 1, 2015 was only be able to participate in the program until June 30, 2018.

A total of 4,808 members were participating in the TERI program at June 30, 2018. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2018, was as follows:

Beginning balance of TERI trust accounts	$ 643,050
Additions	160,209
TERI distributions at termination	(425,996)
Ending balance of TERI trust accounts	**$ 377,263**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2018, there was $332 thousand held in this trust.

g. Optional Retirement Program

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program. Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (9.00%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (8.41%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$ 1,506,014
Employee contributions to providers	135,541
Employer contributions to providers	75,301

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits through the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), collectively referred to as the OPEB plans, to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority (PEBA). Article 5 of the State Code of Laws defines the two plans and authorizes PEBA to at any time adjust the plans, including its benefits and contributions, as necessary to ensure the fiscal stability of the plans. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the Executive Budget, 5.50% of annual covered payroll for fiscal year 2018. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $460.478 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2018. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2018.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. SCRHITF is funded primarily through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($104.573 million). LTDITF is funded primarily through investment income and employer contributions.

c. OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the State reported a liability of $2.837 billion for its proportionate share of the net SCRHITF OPEB liability and reported a liability of $394 thousand for its proportionate share of the net LTDITF OPEB liability. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of that June 30, 2016. At June 30, 2016, the State's proportion of the SCRHITF net OPEB liability was 20.95% and the State's proportion of the LTDITF net OPEB liability was 21.71%, based on its statutory contribution requirements.

As with SCRS and PORS, the State is responsible for contributing the OPEB employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRHITF and LTDITF, but remitted instead to each school district and technical college for their contribution payments, GASB 75 requires that the school districts and technical colleges recognize the portions of the SCRHITF and LTDITF net OPEB liabilities that relate to their respective employees. As the State is actually responsible for these net OPEB liabilities, the State's effective share of the SCRHITF net OPEB liability was approximately $10.424 billion (or 76.96% of the total net SCRHITF pension liability) at June 30, 2018, with related OPEB expenses of approximately $634.419 million for the year ended June 30, 2018. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately $1.261 million at June 30, 2018 (or 69.56% of the total net LTDITF OPEB liability), with related pension expenses of approximately $5.630 million for the year ended June 30, 2018. As prescribed by GASB 75, the teachers and technical college employee-related net OPEB liabilities and corresponding OPEB expenses are not included in the State's net OPEB liability or in the State's OPEB expense.

As a result of its requirement to contribute to the SCRHITF and LTDITF, the State recognized expenses of $172.687 million for SCRHITF and $1.757 million for LTDITF for the year ended June 30, 2018. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to SCRHITF and LTDITF (expressed in thousands):

	SCRHITF	LTDITF	Total
Deferred Outflows of Resources			
State Contributions Subsequent to the Measurement Date………………..……	$ 98,824	$ 1,578	$ 100,402
Net Differences Between Projected and Actual Earnings on Pension Plan Investments…………………………….	4,875	190	5,065
Total……………………………………..	$ 103,699	$ 1,768	$ 105,467
Deferred Inflows of Resources			
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	$ 41	$ 10	$ 51
Differences Between Expected and Actual Experience………………………	1,231	—	1,231
Changes in Assumptions……………..	266,974	36	267,010
Total……………………………………..	$ 268,246	$ 46	$ 268,292

$100.402 million reported as deferred outflows resulting from State contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liabilities in the year ended June 30, 2019. Other amounts reported as deferred (inflows)/outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to SCRHITF and LTDITF will be recognized as expense as follows (expressed in thousands):

Year Ended June 30,	SCRHITF	LTDITF
2019	$ (41,728)	$ 43
2020	(41,728)	42
2021	(41,728)	42
2022	(41,728)	42
2023	(42,947)	(5)
Thereafter	(53,512)	(20)
	$ (263,371)	$ 144

The total OPEB liabilities in the June 30, 2016 valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	SCRHITF	LTDITF
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Inflation Rate	2.25%	2.25%
Investment Rate of Return	4.00%, net of OPEB plan expense, including inflation	4.00%, net of OPEB plan expense, including inflation
Healthcare Cost Trend Rates	Initial trend starting at 7.00% and gradually decreasing to an ultimate rate of 4.15% over 15 years	N/A

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period for both OPEB plans. The last experience study was performed on data through June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both OPEB plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	20.0%	0.84%	0.17%
Total	**100.0%**		1.84%
Expected Inflation			2.25%
Total Return			**4.09%**
Investment Return Assumption			**4.00%**

The single discount rate used to measure the total SCRHITF liability is 3.56% (updated from 2.92% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

The single discount rate used to measure the total LTDITFF liability is 3.87% (updated from 3.74% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index") and the resulting Single Discount Rate is 3.87%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

The following table presents the State's proportionate share of the SCRHITF and LTDITF net OPEB liabilities, as well as what the State's proportionate share of the net OPEB liabilities would be if it were calculated using a discount rate of 1.00% lower (2.56% for SCRHITF and 2.87% for LTDITF) or 1.00% higher (4.56% for SCRHITF and 4.87% for LTDITF) than the current discount rates:

Plan	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
SCRHITF	$ 3,341,506	$ 2,837,273	$ 2,430,738

Plan	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
LTDITF	$ 700	$ 394	$ 93

In addition, the following table presents SCRHITF's net OPEB liability, calculated using the assumed healthcare cost trend rates as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower (6.00%) and one percent higher (8.00%):

Plan	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
SCRHITF	$ 2,326,682	$ 2,837,273	$ 3,498,367

Complete financial statements for the OPEB plans and the trust funds may be obtained by writing to:

Insurance Benefits Division
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223
http://www.peba.sc.gov

d. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 7,195**	**$ 298**	**$ 7,493**
Due from other funds	**$ 67,069**	**$ —**	**$ 67,069**
Investments and invested securities lending collateral:			
Debt domestic instruments	$ 1,036,786	$ 30,286	$ 1,067,072
Financial paper	96,224	5,164	101,388
Invested securities lending collateral	7,386	728	8,114
Total investments	**$1,140,396**	**$ 36,178**	**$1,176,574**

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Details of all deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Governmental Activities less Internal Service	Internal Service	Total Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ 14,736	$ —	$ 14,736	$ —	$ 14,736	$ 39,916
Deferred amount on refunding	96,890	—	96,890	—	96,890	227,307
Pensions:						
State contributions subsequent to the measurement date	246,506	4,802	251,308	670	251,978	262,361
Change in proportion and differences between employer contributions and proportionate share of plan contributions	117,821	5,581	123,402	1,513	124,915	81,779
Net Differences between projected and actual earnings on pension plan investments	113,008	2,256	115,264	459	115,723	128,618
Differences between expected and actual experience	20,144	396	20,540	77	20,617	22,546
Changes in assumptions	256,737	4,957	261,694	986	262,680	271,734
OPEB:						
State contributions subsequent to the measurement date	98,670	1,607	100,277	125	100,402	126,540
Net Differences between projected and actual earnings on OPEB plan investments	4,977	82	5,059	6	5,065	6,320
Differences between expected and actual experience	—	—	—	—	—	95
Changes in assumptions	—	—	—	—	—	168
Total	$ 969,489	$ 19,681	$ 989,170	$ 3,836	$ 993,006	$ 1,167,384
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —	$ 5,374
Deferred gain on refunding	—	—	—	—	—	3,246
Deferred nuclear decommissioning costs	—	—	—	—	—	226,767
Deferred service concession arrangement receipts	—	—	—	—	—	2,376
Deferred nonexchange revenues	15,233	—	15,233	—	15,233	39,391
Toshiba Settlement	—	—	—	—	—	898,215
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	108,845	1,770	110,615	163	110,778	48,864
Differences between expected and actual experience	6,770	37	6,807	8	6,815	3,886
Changes in Assumptions	—	—	—	—	—	19
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	51	—	51	—	51	57
Differences between expected and actual experience	1,210	20	1,230	1	1,231	1,642
Changes in assumptions	262,298	4,375	266,673	337	267,010	344,366
Total	$ 394,407	$ 6,202	$ 400,609	$ 509	$ 401,118	$ 1,574,203

Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Patient's Compensation	Canteen	Palmetto Railways	Other Enterprise	Total
Deferred Outflows of Resources					
Pensions:					
State contributions subsequent to the measurement date	$ 34	$ 233	$ 335	$ 68	$ 670
Change in proportion and differences between employer contributions and proportionate share of plan contributions	4	122	1,351	36	1,513
Net Differences between projected and actual earnings on pension plan investments	17	112	297	33	459
Differences between expected and actual experience	3	20	48	6	77
Changes in assumptions	35	251	626	74	986
OPEB:					
State contributions subsequent to the measurement date	14	86	—	25	125
Net Differences between projected and actual earnings on OPEB plan investments	1	4	—	1	6
Total	$ 108	$ 828	$ 2,657	$ 243	$ 3,836
Deferred Inflows of Resources					
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ 15	$ 113	$ 1	$ 34	$ 163
Differences between expected and actual experience	—	2	6	—	8
OPEB:					
Differences between expected and actual experience	—	1	—	—	1
Changes in assumptions	41	229	—	67	337
Total	$ 56	$ 345	$ 7	$ 101	$ 509

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date	$ 400	$ 879	$ 304	$ 1,752
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3,020	861	16	917
Net Differences between projected and actual earnings on pension plan investments	194	376	149	837
Differences between expected and actual experience	31	60	24	153
Changes in assumptions	407	789	313	1,877
OPEB:				
State contributions subsequent to the measurement date	113	373	128	754
Net Differences between projected and actual earnings on OPEB plan investments	7	18	7	38
Total	$ 4,172	$ 3,356	$ 941	$ 6,328
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ —	$ —	$ 215	$ 847
Differences between expected and actual experience	4	7	4	12
OPEB:				
Differences between expected and actual experience	2	5	1	9
Changes in assumptions	369	981	384	2,003
Total	$ 375	$ 993	$ 604	$ 2,871

Motor Pool	Prison Industries	Other Internal Service	Total
$ 117	$ 1,334	$ 16	$ 4,802
61	698	8	5,581
56	637	7	2,256
10	117	1	396
125	1,429	17	4,957
51	181	7	1,607
3	9	—	82
$ 423	$ 4,405	$ 56	$ 19,681
$ 56	$ 644	$ 8	$ 1,770
1	9	—	37
1	2	—	20
137	482	19	4,375
$ 195	$ 1,137	$ 27	$ 6,202

Details of all major discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority
Deferred Outflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 39,916	$ —	$ —	$ —	$ —
Deferred amount on refunding	158,625	37,721	20,770	5,036	—
Pensions:					
State contributions subsequent to the measurement date	8,413	76,410	57,206	36,849	6,201
Change in proportion and differences between employer contributions and proportionate share of plan contributions	719	21,899	16,536	11,475	6,762
Net Differences between projected and actual earnings on pension plan investments	8,845	35,054	26,721	17,294	2,758
Differences between expected and actual experience	3,191	5,639	4,355	2,788	441
Changes in assumptions	19,402	73,767	56,335	36,427	5,790
OPEB:					
State contributions subsequent to the measurement date	—	37,416	29,745	19,410	1,857
Net Differences between projected and actual earnings on OPEB plan investments	—	1,895	1,508	978	3
Differences between expected and actual experience	—	74	—	—	—
Changes in assumptions	—	168	—	—	—
Total	$ 239,111	$ 290,043	$ 213,176	$ 130,257	$ 23,812
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 5,374	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—
Deferred nuclear decommissioning costs	226,767	—	—	—	—
Deferred service concession arrangement receipts	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—
Toshiba Settlement	898,215	—	—	—	—
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	2,639	1,179	2,397	771	5
Differences between expected and actual experience	1,548	687	520	338	54
Changes in Assumptions	19	—	—	—	—
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	18	14	9	—
Differences between expected and actual experience	—	542	373	242	—
Changes in assumptions	—	101,273	80,798	52,427	4,718
Total	$ 1,134,562	$ 103,699	$ 84,102	$ 53,787	$ 4,777

Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ —	$ —	$ —	$ 39,916
912	—	4,243	227,307
907	808	75,567	262,361
486	8	23,894	81,779
446	435	37,065	128,618
71	70	5,991	22,546
934	912	78,167	271,734
343	407	37,362	126,540
—	20	1,916	6,320
20	—	1	95
—	—	—	168
$ 4,119	$ 2,660	$ 264,206	$ 1,167,384
$ —	$ —	$ —	$ 5,374
3,246	—	—	3,246
—	—	—	226,767
—	—	2,376	2,376
38,582	—	809	39,391
—	—	—	898,215
365	483	41,025	48,864
9	9	721	3,886
—	—	—	19
—	—	16	57
5	5	475	1,642
1,118	1,103	102,929	344,366
$ 43,325	$ 1,600	$ 148,351	$ 1,574,203

Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University
Deferred Outflows of Resources				
Accumulated increase in fair				
Deferred amount on refunding................	$ —	$ 521	$ 741	$ —
Pensions:				
State contributions subsequent to the measurement date.......................	3,463	8,751	9,811	3,398
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	661	9,964	901	7
Net Differences between projected and actual earnings on pension plan investments.................................	2,370	4,521	4,776	1,648
Differences between expected and actual experience..........................	383	738	775	267
Changes in assumptions.........................	4,999	9,585	10,092	3,477
OPEB:				
State contributions subsequent to the measurement date.......................	2,650	5,156	5,410	1,730
Net Differences between projected and actual earnings on OPEB plan investments.................................	129	254	282	90
Differences between expected and actual experience..........................	—	—	—	—
Total...	$ 14,655	$ 39,490	$ 32,788	$ 10,617
Deferred Inflows of Resources				
Deferred service concession arrangement receipts...........................	$ —	$ 90	$ 2,286	$ —
Deferred nonexchange revenues............	—	517	—	—
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	407	70	4,281	1,237
Differences between expected and actual experience..........................	46	86	92	32
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	1	2	3	1
Differences between expected and actual experience..........................	32	62	69	22
Changes in assumptions.........................	6,895	13,545	15,065	4,791
Total...	$ 7,381	$ 14,372	$ 21,796	$ 6,083

Lander University	South Carolina State University	Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College
$ —	$ —	$ 1,914	$ —	$ —	$ —
2,623	3,414	5,371	939	1,767	503
822	81	2,760	345	364	146
1,159	1,472	2,681	479	797	286
189	239	433	77	128	46
2,452	3,109	5,652	1,006	1,677	605
1,194	1,356	2,825	442	744	202
61	70	151	23	38	13
—	—	—	—	—	—
$ 8,500	$ 9,741	$ 21,787	$ 3,311	$ 5,515	$ 1,801
$ —	$ —	$ —	$ —	$ —	$ —
—	—	292	—	—	—
153	9,892	4,077	520	908	1,276
22	28	52	10	16	6
1	1	1	—	—	—
15	18	37	6	9	3
3,251	3,851	8,082	1,280	2,007	692
$ 3,442	$ 13,790	$ 12,541	$ 1,816	$ 2,940	$ 1,977

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	Florence-Darlington Technical College	Greenville Technical College	Horry-Georgetown Technical College	Technical College of the Lowcountry
Deferred Outflows of Resources				
Accumulated increase in fair				
Deferred amount on refunding................	$ 322	$ 517	$ —	$ —
Pensions:				
State contributions subsequent to the measurement date.......................	2,251	5,639	2,508	1,183
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	581	123	265	56
Net Differences between projected and actual earnings on pension plan investments.................................	1,160	2,527	1,209	533
Differences between expected and actual experience..........................	185	406	193	85
Changes in assumptions.........................	2,431	5,311	2,534	1,117
OPEB:				
State contributions subsequent to the measurement date.......................	1,060	2,452	1,206	498
Net Differences between projected and actual earnings on OPEB plan investments.................................	56	126	60	25
Differences between expected and actual experience..........................	—	—	—	—
Total...	$ 8,046	$ 17,101	$ 7,975	$ 3,497
Deferred Inflows of Resources				
Deferred service concession arrangement receipts...........................	$ —	$ —	$ —	$ —
Deferred nonexchange revenues............	—	—	—	—
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	770	2,911	412	281
Differences between expected and actual experience..........................	23	50	24	11
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	1	1	1	—
Differences between expected and actual experience..........................	14	31	15	6
Changes in assumptions.........................	2,991	6,747	3,191	1,342
Total...	$ 3,799	$ 9,740	$ 3,643	$ 1,640

Midlands Technical College	Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College	Spartanburg Community College	Tri-County Technical College
$ 228	$ —	$ —	$ —	$ —	$ —
5,985	358	1,477	2,166	2,466	2,617
1,327	7	79	28	536	1,287
2,798	249	701	1,008	1,095	1,154
450	40	114	163	175	186
5,885	522	1,483	2,122	2,299	2,432
2,535	226	608	903	1,040	1,149
130	12	32	46	52	57
—	—	—	—	—	—
$ 19,338	$ 1,414	$ 4,494	$ 6,436	$ 7,663	$ 8,882
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
257	608	624	2,508	1,048	233
55	5	13	20	22	22
1	—	—	—	—	1
33	3	8	12	13	14
7,139	621	1,731	2,508	2,752	3,026
$ 7,485	$ 1,237	$ 2,376	$ 5,048	$ 3,835	$ 3,296

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	Trident Technical College	Williamsburg Technical College	York Technical College	South Carolina Jobs-Economic Development Authority
Deferred Outflows of Resources				
Accumulated increase in fair				
Deferred amount on refunding................	$ —	$ —	$ —	$ —
Pensions:				
State contributions subsequent to the measurement date......................	5,215	417	2,331	37
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	104	5	537	53
Net Differences between projected and actual earnings on pension plan investments................................	2,649	188	1,034	13
Differences between expected and actual experience..........................	432	30	166	2
Changes in assumptions.........................	5,608	395	2,175	28
OPEB:				
State contributions subsequent to the measurement date......................	2,391	172	1,003	15
Net Differences between projected and actual earnings on OPEB plan investments................................	126	8	51	—
Differences between expected and actual experience..........................	—	—	—	1
Total...	$ 16,525	$ 1,215	$ 7,297	$ 149
Deferred Inflows of Resources				
Deferred service concession arrangement receipts...........................	$ —	$ —	$ —	$ —
Deferred nonexchange revenues............	—	—	—	—
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	7,513	337	702	—
Differences between expected and actual experience..........................	51	4	20	—
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................	1	—	—	—
Differences between expected and actual experience..........................	32	2	13	—
Changes in assumptions.........................	6,890	464	2,714	34
Total...	$ 14,487	$ 807	$ 3,449	$ 34

Patriot's Point Development Authority		South Carolina First Steps to School Readiness Board of Trustees		Total	
$	—	$	—	$	4,243
	465		412		75,567
	456		2,399		23,894
	242		316		37,065
	39		50		5,991
	507		664		78,167
	234		161		37,362
	11		13		1,916
	—		—		1
$	1,954	$	4,015	$	264,206
$	—	$	—	$	2,376
	—		—		809
	—		—		41,025
	5		6		721
	—		—		16
	3		3		475
	601		719		102,929
$	609	$	728	$	148,351

NOTE 10: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

The State generally does not purchase commercial insurance for the risks of losses for property damage, including theft of, damage to, and destruction of assets; automobile liability; tort liability; and medical professional liability. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Insurance Reserve Fund (IRF), within the internal service funds. The IRF services claims for risk of loss to which the State is exposed, including the following: property insurance on government-owned buildings, the contents of such buildings, equipment, and automobiles; automobile liability insurance on government owned vehicles and school buses; tort liability insurance for government premises and operations; and medical professional liability for hospitals. Although the State is the predominant participant in the IRF, county and municipal governments, school districts and special purpose political subdivisions also participate. The IRF allocates the cost of providing claims servicing and claims payment by charging each participant an actuarially determined premium for the coverage provided.

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 282,735	$ 106,839	$ (97,524)	$ 292,050
2017	264,205	123,375	(104,845)	282,735

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above $10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2018 the IRF had no reinsurance recoverable receivables, but had expenses of $37.346 million in reinsurance premiums for the 2018 fiscal year.

b. Employee Insurance Programs Fund

State law established the Employee Insurance Programs Fund, part of the State's internal service funds, to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and to provide group life and long-term disability insurance coverage to eligible active State and public school employees. The State, the predominant participant, retains the risk of loss. Under the health insurance program, participants elect coverage through a State Health Plan or a fully funded health plan if available. All dental, group life, and long-term disability coverages are provided through the State's self-insured plans. State funds and payroll deductions pay health and dental premiums for eligible State and public school employees. Agencies and school districts pay the employer share of premiums for retirees. Retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long-term disability for their employees.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise, monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 8 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHITF for which claims liability information is also available in Note 8.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 222,617	$ 2,486,691	$ (2,462,595)	$ 246,713
2017	216,688	2,344,347	(2,338,418)	222,617

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 254,014	$ 46,502	$ (48,526)	$ 251,990
2017	250,413	51,595	(47,994)	254,014

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of $1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first $1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of $1.000 million per occurrence up to a limit of $9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2018 the Fund had a balance of $1.201 million in reinsurance recoverable receivables and had expenses of $2.684 million in reinsurance premiums for the 2018 fiscal year.

d. Uninsured Employers' Fund

The Uninsured Employers' Fund was established by Section 42-7-200. Effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund were devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. This long term liability is included in the Governmental Activities located in Exhibit A-1.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Uninsured Employers' Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 35,505	$ 3,560	$ (4,858)	$ 34,207
2017	34,454	7,393	(6,342)	35,505

e. Patients' Compensation Fund

The South Carolina Medical Malpractice Patients' Compensation Fund (PCF) was created by State law. The PCF is accounted for as a nonmajor enterprise fund. The State accounts for the PCF as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the PCF follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The Medical Malpractice Liability Insurance Joint Underwriting Association (JUA), a discretely presented component unit, is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to $200 thousand per incident or $600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the PCF includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the PCF during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 48,362	$ 7,140	$ (8,682)	$ 46,820
2017	54,478	1,362	(7,478)	48,362

f. Second Injury Fund

The Second Injury Fund, a major enterprise fund, was created by Code of Laws Section 42-7-310. It established the guidelines by which to pay compensation claims in those cases where an individual having an existing permanent physical impairment incurs a subsequent disability from injury by accident arising out of and in the course of employment. Funding for payment of compensation awards and for Fund operating costs is provided by equitable assessments upon all workmen's compensation insurance carriers, self-insurers, and the South Carolina State Accident Fund (approximately 360 entities). Participation is mandatory as required by State law. Participants of the fund are responsible for the fund's liabilities. Payments of claims and awards are made directly to the carriers and self-insurers. The State of South Carolina will not be responsible for any expense or liabilities of the fund, except the State Accident Fund, who is a participant in the fund.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 249,886	$ (185)	$ (26,764)	$ 222,937
2017	265,778	573	(16,465)	249,886

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the State Fiscal Accountability Authority.

NOTE 11: LEASES

a. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2018 for the primary government were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2019	$ 647
2020	634
2021	394
2022	181
2023	20
Total minimum payments	**1,876**
Less: interest and executory costs	(131)
Net minimum payments	**$ 1,745**

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2018, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Governmental Activities
Machinery and equipment	$ 8,846
Assets acquired under capital leases before accumulated amortization	**8,846**
Less: accumulated amortization	(5,834)
Assets acquired under capital leases, net	**$ 3,012**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2018, minimum rental payments under operating leases were \$49.512 million and contingent rental payments were \$6.221 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2019	$ 28,107	$ 32	$ 28,139
2020	25,164	33	25,197
2021	19,640	34	19,674
2022	14,692	35	14,727
2023	9,550	36	9,586
2024-2028	11,599	37	11,636
2029-2033	1,013	—	1,013
2034-2038	138	—	138
Net minimum payments	**$ 109,903**	**$ 207**	**$ 110,110**

c. Facilities and Equipment Leased to Others

At June 30, 2018, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $60.333 million and related accumulated depreciation of $16.234 million. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2019	$ 3,898
2020	2,911
2021	2,736
2022	2,347
2023	1,935
2024-2028	9,267
2029-2033	8,189
2034-2038	15
Total	**$ 31,298**

NOTE 12: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:		
Capital improvement bonds, 5.00%, maturing serially through 2019	$	8,698
State highway bonds, 4.00% to 5.00%, maturing serially through 2023		162,628
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028		33,725
State economic development bonds, 2.00% to 5.00%, maturing serially through 2029		251,837
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029		81,348
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025		26,575
Totals—primary government	**$**	**564,811**

At June 30, 2018, $6.344 million of capital improvement bonds, $106.000 million of State highway bonds, $161.125 million of State economic development bonds, and $13.680 million of State research university infrastructure bonds were authorized by the General Assembly but unissued.

At June 30, 2018, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities			
Year Ending June 30		**Principal**		**Interest**
2019	$	95,810	$	20,854
2020		78,590		16,064
2021		91,690		12,230
2022		64,975		8,206
2023		46,080		5,314
2024-2028		118,720		7,860
2029		5,440		150
Total debt service requirements		**501,305**	**$**	**70,678**
Unamortized premiums		63,506		
Total principal outstanding	**$**	**564,811**		

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2018, was $52.408 million for highway bonds, $401.349 million for general obligation bonds excluding institution and highway bonds, $33.368 million for economic development bonds, and $18.482 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170.000 million 2010 issue, an $85.000 million 2013 issue, and an $18.110 million 2015 issue of economic development bonds and a $50.000 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

b. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.40% to 5.50%, maturing serially through 2041	$ 1,729,005	$ —
Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038	41,109	—
Department of Transportation note, 3.04%, maturing through 2032	—	4,535
Department of Administration notes, 1.66% to 2.80%, maturing through 2023	—	22,406
Department of Education notes, 1.44% to 1.72%, maturing through 2023	—	20,818
Judicial Department note, 2.02%, maturing through 2021	—	2,995
Department of Corrections notes, 5.25%, maturing through 2020	—	3,389
Department of Probation, Parole and Pardon note, 1.81%, maturing through 2022	—	902
InvestSC, Inc. notes, 7.25%, maturing through 2023	—	50,000
Totals—governmental activities	**1,770,114**	**105,045**
Business-Type Activities:		
Nonmajor enterprise fund bonds, 0.43%, maturing through 2038	$ 5,555	$ —
Palmetto Railways note, 4.28%, maturing through 2047	—	6,500
Totals—business-type activities	**5,555**	**6,500**
Totals—primary government	**$ 1,775,669**	**$ 111,545**

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, on such notional amount. For the fiscal year ended June 30, 2018, the Bank made variable bond interest payments of $4.852 million and fixed rate payments on the exchange agreement of $13.687 million. The Bank received variable swap payments on the exchange agreement of $3.501 million. The June 30, 2018 mark to market value of this swap was negative $1.350 million, representing an increase in fair value of $28.383 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

Pledged Revenues for Payment of Debt

Certain revenue bonds require the individual business-type activities to provide sufficient revenue to pay debt service and to fund all necessary expenses of the activities. The funds that receive the proceeds of revenue, Infrastructure Bank, and other bonds and notes have pledged revenues for payment of debt service as follows:

Primary Government:
Governmental Activities:

	Infrastructure Bank Bonds
Specific revenue pledged	Truck and vehicle registration fees; One-cent motor fuel user fee; contributions receivable and intergovernmental loans
Approximate amount of pledge	$316.571 million
General purpose for the debt	Provide financial assistance for major transportation projects for DOT
Term of commitment	FY 2041
% of revenue stream pledged	65.84%
Pledged revenue recognized	$218.596 million
Principal & interest paid	$131.780 million

Debt Service Requirements

At June 30, 2018, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ 102,550	$ 69,955	$ 180	$ 8
2020	102,042	65,748	190	8
2021	103,189	60,206	195	8
2022	104,581	55,222	205	7
2023	63,670	50,211	215	7
2024-2028	378,411	205,672	1,225	31
2029-2033	497,852	143,006	1,495	21
2034-2038	254,780	65,703	1,850	9
2039-2041	119,105	17,605	—	—
Total debt service requirements	**1,726,180**	**$ 733,328**	**5,555**	**$ 99**
Net unamortized premiums	148,979		—	
Total principal outstanding	**$ 1,875,159**		**$ 5,555**	

On May 5, 2017, the Palmetto Railways purchased the assets of the Hampton and Branchville Railroad Company (H&B) for $6.500 million. Financing for the acquisition was provided to the Division by the Colleton County Intermodal Corporation (CCIC), which obtained the funds from its issuance of taxable economic development revenue bonds.

Payments on the loan are payable only from the revenues and net income generated from the operation of H&B. Payments are limited to 10% of annual revenues of H&B and 25% of net income generated by H&B.

The loan matures on May 12, 2047 and may be extended in four increments of five years each, if certain conditions are met and the loan has not been paid in full by the maturity date. The loan has a put option beginning at the end of five years under which Palmetto Railways may relinquish its rights to the H&B in exchange for the loan being considered paid in full. The loan also contains a call option exercisable after five years under which CCIC can demand payment in full or repossess the H&B if the loan payments in the preceding fiscal year are less than CCIC’s payment obligations on its taxable economic development revenue bonds for that year.

The loan requires total payments of $11.663 million, which includes $6.500 million of principal that was borrowed to fund the acquisition of H&B. This leaves the remaining $5.163 million allocated to interest expense. Because of the variable nature of the payments, the effective interest rate will vary depending on the timing and amount of the loan repayments. Assuming a level stream of payments over the life of the loan, the effective interest rate is calculated to be 4.28%.

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2018, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 80,555
Total allocated interest expense	**$ 80,555**

c. Defeased Bonds

During July 2017, the State issued $188.725 million in revenue refunding bonds with a 5.00% coupon rate over the life of the issue. The net proceeds after payment of $1.177 million in issuance costs were used to refund $203.580 million of the Series 2010A Transportation Infrastructure Bank Revenue Bonds. The bonds were refunded to reduce total debt service payments by approximately $41.482 million and to obtain an economic gain of approximately $23.992 million.

During November 2017, the State defeased $53.885 million in Series 2012A Refunding Economic Development General Obligation Bonds, 2016A Economic Development General Obligation Bonds, Series 2016B Economic Development General Obligation Bonds, and Series 2016C Economic Development General Obligation Bonds. The bonds were defeased to obtain an economic gain of approximately $1.285 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has removed the defeased bonds from the accompanying financial statements. At June 30, 2018, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds	$ 104,323
Research University bonds	20,986
Infrastructure Bank bonds	203,580
Tobacco Authority bonds	64,890
Totals	**$ 393,779**

d. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2018, there was no arbitrage rebate liability associated with the State's General Obligation Debt and with the Local Government Infrastructure Fund (a major governmental fund).

e. Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2018, the outstanding balance of bonds issued was $234.894 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2018, were (expressed in thousands):

	Balances at July 1, 2017 (As Restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 794,871	$ 2,643,592	$ (2,613,503)	$ 824,960	$ 640,181
Notes payable	86,971	27,954	(9,880)	105,045	25,815
General obligation bonds payable	676,540	—	(175,235)	501,305	95,810
Unamortized discounts and premiums	79,632	—	(16,126)	63,506	—
Total general obligation bonds payable	756,172	—	(191,361)	564,811	95,810
Infrastructure Bank bonds payable	1,671,045	188,725	(274,840)	1,584,930	75,640
Unamortized discounts and premiums	117,187	30,041	(3,153)	144,075	—
Total Infrastructure Bank bonds	1,788,232	218,766	(277,993)	1,729,005	75,640
Revenue bonds payable	39,320	—	(3,115)	36,205	1,095
Unamortized discounts and premiums	4,950	—	(46)	4,904	—
Total revenue bonds payable	44,270	—	(3,161)	41,109	1,095
Capital leases payable	1,871	1,926	(2,052)	1,745	574
Compensated absences payable	229,399	126,351	(168,894)	186,856	122,497
Net pension liability	3,702,604	244,082	—	3,946,686	—
Net other post-employment benefit liability	3,027,100	—	(193,023)	2,834,077	—
Judgments and contingencies payable	12,637	12,909	(12,637)	12,909	12,909
Arbitrage payable	545	—	(545)	—	—
Total long-term liabilities	$ 10,444,672	$ 3,275,580	$ (3,473,049)	$ 10,247,203	$ 974,521

	Balances at July 1, 2017 (As Restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 298,248	$ 6,955	$ (35,446)	$ 269,757	$ 29,399
Notes payable	—	6,500	—	6,500	—
Revenue bonds payable	5,730	—	(175)	5,555	180
Compensated absences payable	655	364	(494)	525	309
Net pension liability	14,236	1,875	—	16,111	—
Net other post-employment benefit liability	3,834	—	(245)	3,589	—
Total long-term liabilities	$ 322,703	$ 15,694	$ (36,360)	$ 302,037	$ 29,888

NOTE 14: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2018, the amounts constrained within the fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 51,142	$ —	$ —	$ —	$ —	$ 51,142
Inventories	29,730	12,468	—	2,595	—	44,793
Prepaid items	12,281	2,082	—	5,146	1	19,510
Other assets	—	—	—	241	—	241
Long-term loans and notes receivable	35,784	—	—	—	—	35,784
Endowments	—	—	—	—	11,234	11,234
Total Non-spendable	128,937	14,550	—	7,982	11,235	162,704
Restricted:						
Primary and Secondary Education	116,896	77,821	—	—	132,291	327,008
Health, Human Services and Environment	584,451	648,841	—	—	49,245	1,282,537
Transportation	—	6,492	1,309,570	334,280	—	1,650,342
Capital Projects	—	—	—	—	114,076	114,076
Debt Service	—	—	813,504	—	—	813,504
Administration of Justice	—	109,708	—	—	—	109,708
Waste management	—	—	—	—	172,272	172,272
General Government	433,357	228,872	—	—	256,114	918,343
Total Restricted	1,134,704	1,071,734	2,123,074	334,280	723,998	5,387,790
Committed:						
General Government	467,816	19,784	—	419,976	30,870	938,446
Capital reserve fund	—	—	—	—	25,490	25,490
Primary and Secondary Education	33,818	—	—	—	—	33,818
Health, Human Services and Environment	3,791	—	—	—	—	3,791
Total Committed	505,425	19,784	—	419,976	56,360	1,001,545
Assigned:						
Primary and Secondary Education	9,267	941	—	—	—	10,208
Health, Human Services and Environment	47,030	8,659	—	—	—	55,689
General Government	108,701	2,821	—	—	4,218	115,740
Administration of Justice	12,780	1,139	—	—	—	13,919
Economic Development	52,125	483	—	—	—	52,608
Transportation	1,582	—	—	—	—	1,582
Social Programs	20,873	4,311	—	—	—	25,184
Total Assigned	252,357	18,354	—	—	4,218	274,929
Total Unassigned	2,186,155	(678,731)	—	—	—	1,507,424
Total Fund Balances	**$ 4,207,578**	**$ 445,691**	**$ 2,123,074**	**$ 762,238**	**$ 795,811**	**$ 8,334,392**

The following subsections contain further descriptive information regarding the constraints of fund balance.

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact (endowments).

b. Restricted

Primary and Secondary Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

These are restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Administration of Justice

These are restricted resources for the continuation and enhancement of programs to improve the safety of the citizens and visitors of the State of South Carolina. Programs promote law enforcement agencies, judicial agencies and corrections of the State, its resources, citizens, and travelers.

Waste Management

The balance represents resources received from external parties which requires the use of the resources for governmental actions involving uncontrolled hazardous waste sites.

General Government

General Government includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

General Government

This represents the portion of the fund balance, which is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the General Fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund.

Primary and Secondary Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

d. Assigned

Primary and Secondary Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health, Human Services and Environment

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

General Government

The fund balance reported in this category is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

Administration of Justice

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to the courts to ensure the safety of its citizens and visitors.

Economic Development

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to assist in bringing businesses to South Carolina or expanding current businesses within South Carolina as it relates to infrastructure.

Transportation

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

e. Unassigned

Included in the unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2018 fiscal year if it equals 5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year.

If the State withdraws funds from the Reserve to cover a year-end deficit, it must replace the funds within five years. The Constitution requires that at least one percent of the Budgetary General Fund revenue (budgetary basis) of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

At June 30, 2018, the Reserve met the legally-required fully funded amount.

NOTE 15: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The State adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The State is now required to record a liability for future pension benefits in excess of accumulated plan contributions. The amounts in the "Other Adjustments" column are due to the correction of errors related to prior periods, as described on the page that follows.

	7/1/2017 Fund Equity as Previously Reported	Implementation of GASB 75	Adjustments	7/1/2017 Fund Equity as Restated
Primary Government				
Governmental Funds:				
General Fund	$ 3,700,226	$ —	$ 41,841	$ 3,742,067
Departmental Program Services	406,736	—	—	406,736
Local Government Infrastructure	2,083,877	—	—	2,083,877
Department of Transportation Special Revenue	515,148	—	—	515,148
Other Nonmajor Governmental Funds	754,316	—	—	754,316
Total Governmental Funds	7,460,303	—	41,841	7,502,144
Internal Service Funds	642,496	(48,252)	—	594,244
Government-Wide Adjustments:				
Capital assets	16,644,966	—	—	16,644,966
Net deferred outflows and inflows	797,079	—	—	797,079
Long-term liabilities	(6,704,425)	(2,891,160)	(50,000)	(9,645,585)
Total Government-Wide Adjustments	10,737,620	(2,891,160)	(50,000)	7,796,460
Total Governmental Activities	18,840,419	(2,939,412)	(8,159)	15,892,848
Business-Type Activities - Enterprise Funds:				
Unemployment Compensation Fund	792,899	—	—	792,899
Second Injury Fund	(15,686)	—	—	(15,686)
Other nonmajor enterprise funds	141,518	(3,736)	—	137,782
Total Business-Type Activities - Enterprise Funds	918,731	(3,736)	—	914,995
Total Primary Government	$ 19,759,150	$ (2,943,148)	$ (8,159)	$ 16,807,843
Component Units				
Public Service Authority	$ 1,990,034	$ —	$ —	$ 1,990,034
MUSC	953,700	(1,116,773)	—	(163,073)
USC	1,192,884	(917,212)	(13,508)	262,164
Clemson University	1,347,011	(578,046)	—	768,965
State Ports Authority	835,287	(41,675)	—	793,612
Housing Authority	421,847	(12,247)	—	409,600
Lottery Commission	1,126	(12,092)	—	(10,966)
Nonmajor component units	1,704,748	(1,148,375)	—	556,373
Total Component Units	$ 8,446,637	$ (3,826,420)	$ (13,508)	$ 4,606,709

During fiscal year 2018, the following prior year errors were discovered: (1) InvestSC, Inc., which was previously not included in the reporting entity, should have been included in the State's General Fund, causing an understatement of $41.841 million in the State's governmental funds and an overstatement of $8.159 million in the State's government-wide Governmental Activities; and (2) in fiscal year 2018 the University of South Carolina's Controller's Office along with the Columbia Athletic Department made the decision to transition the Gamecock Club from the University's Athletic Department and to treat the Gamecock Club as a discretely presented component unit in accordance with GASB standards. As a result, ending restricted net position for the University for the year ended June 30, 2018 decreased by $13.508 million. These corrections and restatements of July 1, 2017 fund equity are shown in the "Adjustments" column above.

NOTE 16: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2018 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 60,193	$ 9,662
Department of Transportation Special Revenue	698	45,770
Local Government Infrastructure	34	9,279
Nonmajor governmental funds	88	—
Internal service	808	12,720
Unemployment Compensation	2,869	—
Nonmajor enterprise funds	85	—
	64,775	77,431
Departmental Program Services		
General Fund	9,662	60,193
Department of Transportation Special Revenue	—	653
Internal service	—	895
	9,662	61,741
Department of Transportation Special Revenue Fund		
General Fund	45,770	698
Departmental Program Services	653	—
Local Government Infrastructure	1,873	1,077
Internal service	279	—
Fiduciary	—	11,173
	48,575	12,948
Local Government Infrastructure		
General Fund	9,279	34
Department of Transportation Special Revenue Fund	1,077	1,873
	10,356	1,907
Nonmajor Governmental Funds		
General Fund	—	88
Internal Service		
General Fund	12,720	808
Departmental Program Services	895	—
Department of Transportation Special Revenue Fund	—	279
Internal service	173	173
	13,788	1,260
Unemployment Compensation		
General Fund	—	2,869
Nonmajor Enterprise Funds		
General Fund	—	85
Fiduciary		
Department of Transportation Special Revenue	11,173	—
Fiduciary	67,347	67,347
	78,520	67,347
Totals	**$ 225,676**	**$ 225,676**

Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30.

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General Fund			
Departmental Program Services	$ —	$ 1,550	$ —
Nonmajor enterprise funds	51,000	—	—
Internal service	142	400	142
	51,142	1,950	142
Departmental Program Services			
General Fund	1,550	—	—
Local Government Infrastructure			
Department of Transportation Special Revenue	177,450	—	152,057
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	177,450	—
Nonmajor Enterprise Funds			
General Fund	—	51,000	—
Internal Service			
General Fund	400	142	—
Totals	**$ 230,542**	**$ 230,542**	**$ 152,199**

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- $177.450 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $51.000 million owed by the Palmetto Railways Fund, a nonmajor enterprise fund, to the General Fund. The $51.000 million is an interest free loan from the Department of Commerce to the Palmetto Railways Fund that matures on October 31, 2018.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2018 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ —	$ 36,413
Local Government Infrastructure	—	4,142
Department of Transportation	—	50,057
Nonmajor governmental funds	99,737	94,295
Unemployment Compensation Benefits	200	—
Second Injury	250	—
Nonmajor enterprise funds	8,795	44
Internal service	86	—
	109,068	184,951
Departmental Program Services		
General Fund	36,413	—
Internal service	567	—
	36,980	—
Local Government Infrastructure		
General Fund	4,142	—
	4,142	—
Department of Transportation		
General Fund	50,057	—
	50,057	—
Nonmajor Governmental Funds		
General Fund	94,295	99,737
Nonmajor governmental funds	79,077	79,077
Internal Service	7,223	—
	180,595	178,814
Unemployment Compensation Benefits		
General Fund	—	200
Second Injury Fund		
General Fund	—	250
Nonmajor Enterprise Funds		
General Fund	44	8,795
Internal Service		
General Fund	—	86
Internal Service funds	2,258	2,258
Nonmajor governmental funds	—	7,223
Department Program Services	—	567
	2,258	10,134
Totals	**$ 383,144**	**$ 383,144**

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds.

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2018 (expressed in thousands):

Funds	Due From	Due To
General Fund		
MUSC	$ —	$ 750
USC	101	820
Clemson University	—	4,959
Housing Authority	—	1,521
Nonmajor discretely presented component units	7,310	13,215
	7,411	21,265
Departmental Program Services		
MUSC	—	12,312
USC	—	7,003
Clemson University	—	4,273
Nonmajor discretely presented component units	—	2,194
	—	25,782
Department of Transportation Special Revenue Fund		
Nonmajor discretely presented component units	327	—
Nonmajor Governmental Funds		
Clemson University	—	239
Lottery Commission	13,851	—
Nonmajor discretely presented component units	8,332	8,029
	22,183	8,268
Internal Service		
USC	4,799	—
Clemson University	3,844	—
Nonmajor discretely presented component units	4,763	—
	13,406	—
Governmental activities total	**43,327**	**55,315**
MUSC		
General Fund	750	—
Departmental Program Services	12,312	—
	13,062	—
USC		
General Fund	820	101
Departmental Program Services	7,003	—
Internal service	—	4,799
	7,823	4,900
Clemson University		
General Fund	4,959	—
Departmental Program Services	4,273	—
Nonmajor governmental funds	239	—
Internal service	—	3,844
	9,471	3,844
Housing Authority		
General Fund	1,521	—
Lottery Commission		
Departmental Program Services	—	13,851
Nonmajor Discretely Presented Component Units		
General Fund	13,215	7,310
Departmental Program Services	2,194	—
Department of Transportation Special Revenue Fund	—	327
Nonmajor governmental funds	8,029	8,332
Internal service	—	4,763
	23,438	20,732
Discretely presented component units total	**55,315**	**43,327**
Totals	**$ 98,642**	**$ 98,642**

NOTE 17: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2018, the Educational Television Endowment of South Carolina, Inc., disbursed $5.942 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of $385 thousand at June 30, 2018.

The Education Assistance Authority, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2018, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC $92.200 million; program revenue from SLC $2.839 million; reimbursements to SLC for administrative costs $412 thousand; and payable to SLC $657 thousand.

NOTE 18: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate **(Abbeville County School District vs State of South Carolina).** The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. On November 12, 2014, the Supreme Court issued an opinion in favor of the Plaintiffs. The Court directed the Plaintiffs and the Defendants "to reappear before this Court within a reasonable time from the issuance of this opinion, and present a plan to address the constitutional violation … with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing these districts at both the state and local levels." On November 5, 2015 the S.C. Supreme Court issued an order that within one week of the conclusion of the 2016 legislative session, the State will submit a written summary to the Court detailing their efforts to implement a constitutionally compliant education system, including all proposed, pending or enacted legislation. The Court will conduct a review of the plan and issue an order of the summary analyzing whether the States' efforts are a rational means to bringing the system of public education in South Carolina into constitutional compliance and whether or not the Court's continued maintentance of jurisdiction is necessary. To date, the Court has not issued an order based upon its review of the submissions of the Defendants. The Supreme Court issued an order on September 20, 2016 stating in part as follows: "We opt to continue to monitor the progress towards a constitutionally compliant education system by requiring the submission of another report by the parties by June 30, 2017." The parties have submitted the required reports by the June 30, 2017 deadline. A motion to vacate continuing jurisdicition was filed and in November 2017 the Supreme Court dismissed the case.

In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. The plaintiff claims that the taking is due to the Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than $100 million in damages. The parties agreed to a stay of this suit while the Administrative Law Court (ALC) determines Kiawah's appeal of the permitting decision. The ALC ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. On December 10, 2014, the Court reversed the ALC decision and remanded the case to that court for further consideration. The ALC issued rulings on remand in March and April of 2016, which were appealed. Oral arguments were heard on September 27, 2017. In April 2018, the Supreme Court affirmed the decision of the ALC as modified, the effect of which was to eliminate the ALC's approval of an erosion control structure for over 2,400 feet of shoreline. An appeal is now pending before the ALC of a Stormwater permit including an in-ground steel sheet pile wall. A final decision regrading that permit may have a significant bearing on the issues in this case. The takings suit remains under a stay that will last until 30 days after the final disposition of the stormwater permit appeal. Assessing the likelihood of a loss and the amount of any loss is somewhat speculative in that the ALC proceeding must be resolved before the underlying takings action proceeds. Therefore, no determination has yet been made as to a risk of loss.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately $43.4 million and $4.0 million in lost future revenues. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 10a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2018, or earlier years will not have a material impact on the State's financial statements.

c. Commitments to Provide Grants and Other Financial Assistance

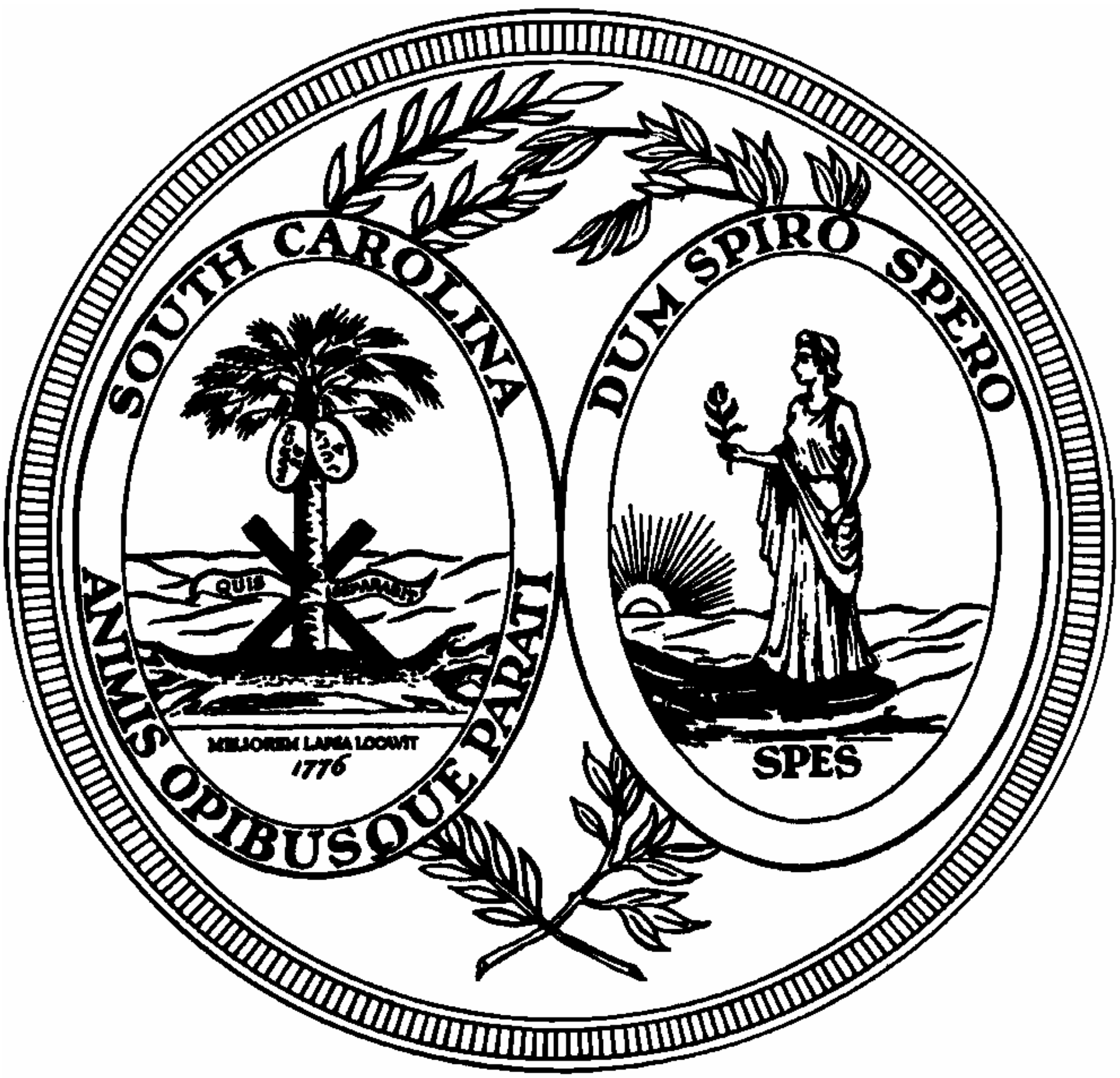
As of June 30, 2018, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $1.034 billion remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $266.188 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, $44.016 million will be funded by federal grants.
- The Office of Regulatory Staff has $1.785 million for energy efficiency improvement projects. Federal grants will fund $1.785 million of this commitment.
- The Division of Aeronautics has $4.588 million for grants made to municipal and county airports for capital improvements. Federal grants will fund $40 thousand of this commitment.
- The State Board for Technical and Comprehensive Education has $29.768 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety along with the Attorney General have $31.247 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $31.110 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $9.113 million for grant program activities and pass-through grants to subrecipients, of which $9.113 million will be funded by federal grants.
- The South Carolina Judicial Department has $5.878 million outstanding commitments related to vendor service contracts.
- The South Carolina Department of Revenue has $25.554 million outstanding commitments for vendor contracts related to services for the new tax reporting and processing software.
- The Rural Infrastructure Authority has $241.850 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities, of which $30.395 million will be funded by federal grants.
- The Department of Health and Environmental Control has $1.348 million in outstanding commitments for interim remediation at the Brewer Gold Mine Site of which $452 thousand will be funded by a federal credit.

d. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2019 in maintaining these sites is $6.895 million. The Pinewood Site is $3.910 million of this total. This estimated loss is based upon the current budgetary request of the department and the annual operating costs less capital expenditures for the Pinewood Site. On September 13, 2016 the court approved the establishment of Pinewood

Trustee, Inc. to be the new trustee for the Pinewood Site. During fiscal year 2017, $5.200 million in capital budgeted funds were deposited with the trustee to continue site improvements that will result in lower operating costs once they are completed. In fiscal year 2018, the budgeted $3.910 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2018 were $4.161 million and $2.078 million, respectively.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NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2018, the reported amount of the major discretely presented component units' deposits was $1.009 billion and the bank balance was $1.019 billion. Of the $989.451 million bank balance exposed to custodial credit risk, $343.821 million was uninsured and uncollateralized, $123.785 million was uninsured and collateralized with securities held by the pledging financial institution, and $521.845 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

Investments

The major discretely presented component units categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, each major discretely presented component unit performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by each major discretely presented component units custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. Each major discretely presented component unit may override prices provided by the custodian bank if it is deemed necessary or appropriate.

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 381,928	$ —	$ 381,928
U.S. agencies	1,098,959	—	1,098,959
Mortgage backed obligations	16,030	16,030	—
Common stock	130,997	130,997	
Other equity securities	787,400	787,400	—
Corporate bonds	51,305	—	51,305
Repurchase agreements	100,000		100,000
Asset backed securities	916	916	
Commercial paper	44,851	44,851	
Money market mutual funds	137,490	137,490	
Bond mutual funds	193,709	193,709	—
Other	106,222	106,222	—
Total Investments at Fair Value	$ 3,049,807	$ 1,417,615	$ 1,632,192

Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1)	$ 55,918	$ 30,941	N/A	N/A
Private partnership - real assets (1)	13,490	15,134	N/A	N/A
Equity long/short hedge funds (2)	3,757	0	Quarterly	5 days
Multi-strategy hedge funds (3)	13,029	0	Monthly	30 days
Partnerships (4)	102,043	28,800	Monthly	7 days
Hedge Funds (5)	196,692	600	Monthly to Annually	3-95 days
Total investments measured at the NAV	$ 384,929	$ 75,475		
Total investments measured at fair value	$ 3,434,736	$ 1,493,090		

Investment derivative instruments			
Alternative Investments			
Interest rate swaps	(1,223)	—	(1,223)
Total investment derivative instruments	$ (1,223)	$ —	$ (1,223)
Total Invested Assets	$ 3,433,513		

(1) Private partnership - equity and Private partnership - real assets. This category includes investments in private equity, buyout, real assets and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using the NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.

(2) Equity long/short hedge funds. This hedge fund is a multiple-manager investment fund that specializes primarily in classic long/short hedged equity strategies. The hedge fund invests globally, with a majority of the exposure in liquid, developed markets, and invests primarily in private investment partnerships or limited liability companies and in separately managed accounts, each of which are managed by independent managers.

(3) Multi-strategy hedge funds. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in U.S. index funds.

(4) Partnerships. The MUSC Foundation holds ownership positions in several partnerships with investment strategies including private equity partnerships, energy and natural resources, fund of fund hedge funds investing primarily in equity and fixed income securities, real estate and real estate related securities. For the majority of these partnerships, the Foundation is subject to redemption restrictions and cannot redeem from its investment in the fund. The manager has discretion on the timing of distributing the capital.

(5) Hedge Funds. The MUSC Foundation and Clemson Foundation hold ownership shares in several hedge funds with investment strategies including fund of fund long/short equity managers. Management of MUSC and the Clemson Foundation believe that the investment strategies employed and availability of other resources allow the Foundations to be unaffected by lock-ups.

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2018, as follows:

Investment Type	Reported Amount
U.S. treasuries	$ 381,928
U.S. agencies	1,098,959
Mortgage backed obligations	16,030
Common stock	130,997
Other equity securities	843,318
Corporate bonds	51,305
Repurchase agreements	100,000
Asset backed securities	14,406
Commercial paper	44,851
Money market mutual funds	137,490
Bond mutual funds	210,494
Other	404,958
Totals	**$ 3,434,736**

At fiscal year end, Clemson University, the Medical University of South Carolina, the State Ports Authority, and the Public Service Authority, all major discretely presented component units, held investments in U.S. Government securities which do not require disclosure of credit quality. In addition to U.S. Government securities, Clemson University, the State Housing Authority, the Medical University of South Carolina, the State Ports Authority, Public Service Authority, and the University of South Carolina held investments as listed below with Standard and Poor's rating scale (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BBB	Alternative Rating	Not Rated
U.S. agencies	$ 1,072,126	$ 25,572	$ —	$ —	$ —	$ 1,261
Mortgage backed obligations	—	—	—	—	—	16,030
Corporate bonds	—	1,740	22,231	10,422	—	16,912
Repurchase agreements	100,000	—	—	—	—	—
Asset backed securities	—	—	—	—	—	14,406
Commercial paper	—	—	44,851	—	—	—
Money market mutual funds	68,368	—	—	—	47	69,075
Bond mutual funds	—	—	—	—	247	210,247
Other	—	—	—	—	296	341,872
Totals	**$ 1,240,494**	**$ 27,312**	**$ 67,082**	**$ 10,422**	**$ 590**	**$ 669,803**

The State's major discretely presented component units may have interest rate risk policies that differ from that of the State Treasurer. At June 30, 2018, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 381,928	$ 304,326	$ 53,204	$ 1,782	$ 22,616
U.S. agencies	1,098,959	693,843	226,176	36,601	142,339
Mortgage backed obligations	16,030	—	13,976	1,271	783
Corporate bonds	51,305	633	39,000	11,672	—
Repurchase agreements	100,000	100,000	—	—	—
Asset backed securities	14,406	—	14,406	—	—
Commercial paper	44,851	44,851	—	—	—
Money market mutual funds	85,201	85,201	—	—	—
Bond mutual funds	74,702	74,273	—	283	146
Other	128,637	—	128,637	—	—
Totals	**$ 1,996,019**	**$ 1,303,127**	**$ 475,399**	**$ 51,609**	**$ 165,884**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a component unit's investments in a single issuer. As of June 30, 2018, the Medical University Hospital Authority has 44.90% of the Authority's investments were in notes issued by the Federal Farm Credit Bank. The Public Service Authority has 88.45% of the US Agencies investments with three issuers. 34.37% of the investments are with the Federal Home Loan Bank, 19.65% are with the Federal National Mortgage Association and 34.43% are with the Federal Farm Credit Bank.

Securities Lending Program

The following securities lending disclosures apply to the State's discretely presented component units. By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2018. At June 30, 2018, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2018, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2018, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2018, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 1,183
Total securities lent for cash collateral	**$ 1,183**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 39
Total securities lent for non-cash collateral	**$ 39**
Cash collateral invested as follows:	
Repurchase agreements	$ 1,202
Total for cash collateral invested	**$ 1,202**
Securities received as collateral:	
U.S. treasuries	$ 40
Total for securities collateral invested	**$ 40**

At June 30, 2018, the fair value of securities on loan was $1.183 million. The fair value of the invested cash collateral was $1.202 million. Securities lending obligations were $1.202 million.

b. Capital Assets

Capital asset activity (expressed in thousands) for the following State major discretely presented component units was as follows:

	Beginning Balances January 1, 2017	Increases	Decreases	Ending Balances December 31, 2017
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 150,256	$ 32,546	$ (15)	$ 182,787
Construction in progress	4,292,907	949,829	(4,479,246)	763,490
Total capital assets not being depreciated	4,443,163	982,375	(4,479,261)	946,277
Capital assets being depreciated:				
Buildings and improvements (utility plant)	7,207,724	299,567	(36,424)	7,470,867
Vehicles	62,087	3,088	(36)	65,139
Machinery and equipment	46,019	974	(74)	46,919
Intangibles	81,464	235	—	81,699
Total capital assets being depreciated	7,397,294	303,864	(36,534)	7,664,624
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(3,504,509)	(431,495)	288,610	(3,647,394)
Vehicles	(26,996)	(3,521)	22	(30,495)
Machinery and equipment	(22,172)	(4,558)	46	(26,684)
Intangibles	(71,993)	(2,313)	—	(74,306)
Total accumulated depreciation	(3,625,670)	(441,887)	288,678	(3,778,879)
Total capital assets being depreciated, net	3,771,624	(138,023)	252,144	3,885,745
Public Service Authority, net	**$ 8,214,787**	**$ 844,352**	**$ (4,227,117)**	**$ 4,832,022**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 206,197	$ 146,430	$ (95)	$ 352,532
Construction in progress	469,699	220,956	(286,608)	404,047
Intangibles	2,190	—	(2,190)	—
Total capital assets not being depreciated	678,086	367,386	(288,893)	756,579
Capital assets being depreciated:				
Land improvements	387,326	40,607	(36)	427,897
Buildings and improvements	347,312	69,124	(3,215)	413,221
Machinery and equipment	199,893	30,398	(3,888)	226,403
Intangibles	876	2,190	(876)	2,190
Total capital assets being depreciated	935,407	142,319	(8,015)	1,069,711
Less accumulated depreciation for:				
Land improvements	(223,359)	(18,145)	24	(241,480)
Buildings and improvements	(222,210)	(10,004)	2,779	(229,435)
Machinery and equipment	(142,231)	(13,374)	3,887	(151,718)
Intangibles	(754)	(219)	754	(219)
Total accumulated depreciation	(588,554)	(41,742)	7,444	(622,852)
Total capital assets being depreciated, net	346,853	100,577	(571)	446,859
State Ports Authority, net	**$ 1,024,939**	**$ 467,963**	**$ (289,464)**	**$ 1,203,438**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 43,265	$ —	$ (17)	$ 43,248
Construction in progress	193,607	89,344	(3,255)	279,696
Total capital assets not being depreciated	236,872	89,344	(3,272)	322,944
Capital assets being depreciated:				
Buildings and improvements	1,276,841	8,008	(2,317)	1,282,532
Vehicles	18,100	1,828	(938)	18,990
Machinery and equipment	390,801	27,284	(6,638)	411,447
Intangibles	24,283	—	—	24,283
Total capital assets being depreciated	1,710,025	37,120	(9,893)	1,737,252
Less accumulated depreciation for:				
Buildings and improvements	(404,759)	(31,398)	2,317	(433,840)
Vehicles	(12,376)	(1,432)	767	(13,041)
Machinery and equipment	(228,664)	(23,004)	5,850	(245,818)
Intangibles	(21,363)	(1,714)	—	(23,077)
Total accumulated depreciation	(667,162)	(57,548)	8,934	(715,776)
Total capital assets being depreciated, net	1,042,863	(20,428)	(959)	1,021,476
Clemson University, net	**$ 1,279,735**	**$ 68,916**	**$ (4,231)**	**$ 1,344,420**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 91,381	$ 2,876	$ (789)	$ 93,468
Construction in progress	113,153	154,714	(19,668)	248,199
Works of art and historical treasures	1,632	98	—	1,730
Total capital assets not being depreciated	206,166	157,688	(20,457)	343,397
Capital assets being depreciated:				
Land improvements	14,429	—	—	14,429
Buildings and improvements	1,614,487	13,629	(420)	1,627,696
Vehicles	6,095	805	(272)	6,628
Machinery and equipment	416,889	34,550	(19,963)	431,476
Intangibles	65,360	3,799	—	69,159
Total capital assets being depreciated	2,117,260	52,783	(20,655)	2,149,388
Less accumulated depreciation for:				
Land improvements	(8,793)	(550)	—	(9,343)
Buildings and improvements	(811,904)	(65,405)	2	(877,307)
Vehicles	(4,606)	(357)	255	(4,708)
Machinery and equipment	(284,899)	(35,844)	19,200	(301,543)
Intangibles	(43,178)	(10,337)	—	(53,515)
Total accumulated depreciation	(1,153,380)	(112,493)	19,457	(1,246,416)
Total capital assets being depreciated, net	963,880	(59,710)	(1,198)	902,972
MUSC, net	**$ 1,170,046**	**$ 97,978**	**$ (21,655)**	**$ 1,246,369**

	Beginning Balances July 1, 2017 (as restated)	Increases	Decreases	Ending Balances June 30, 2018
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 82,275	$ 11,770	$ —	$ 94,045
Construction in progress	74,716	77,039	(55,753)	96,002
Works of art and historical treasures	37,280	3,031	(8)	40,303
Total capital assets not being depreciated	194,271	91,840	(55,761)	230,350
Capital assets being depreciated:				
Land improvements	110,421	57	—	110,478
Buildings and improvements	1,722,466	62,188	(22)	1,784,632
Vehicles	18,801	1,345	(1,826)	18,320
Machinery and equipment	210,719	18,192	(23,347)	205,564
Intangibles	63,772	1,323	(7,435)	57,660
Total capital assets being depreciated	2,126,179	83,105	(32,630)	2,176,654
Less accumulated depreciation for:				
Land improvements	(40,041)	(4,170)	—	(44,211)
Buildings and improvements	(715,275)	(43,184)	81	(758,378)
Vehicles	(12,800)	(1,043)	1,504	(12,339)
Machinery and equipment	(159,960)	(13,280)	21,357	(151,883)
Intangibles	(26,334)	(7,435)	3,607	(30,162)
Total accumulated depreciation	(954,410)	(69,112)	26,549	(996,973)
Total capital assets being depreciated, net	1,171,769	13,993	(6,081)	1,179,681
USC, net	**$ 1,366,040**	**$ 105,833**	**$ (61,842)**	**$ 1,410,031**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Lottery Commission:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,316	$ —	$ —	$ 1,316
Vehicles	375	36	—	411
Machinery and equipment	3,249	79	—	3,328
Intangibles	556	—	—	556
Total capital assets being depreciated	5,496	115	—	5,611
Less accumulated depreciation for:				
Buildings and improvements	(1,301)	—	—	(1,301)
Vehicles	(156)	(56)	—	(212)
Machinery and equipment	(3,053)	(142)	—	(3,195)
Intangibles	(352)	(77)	—	(429)
Total accumulated depreciation	(4,862)	(275)	—	(5,137)
Total capital assets being depreciated, net	634	(160)	—	474
Lottery Commission, net	**$ 634**	**$ (160)**	**$ —**	**$ 474**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Housing Authority:				
Capital assets being depreciated:				
Machinery and equipment	$ 1,840	257	—	$ 2,097
Total capital assets being depreciated	1,840	257	—	2,097
Less accumulated depreciation for:				
Machinery and equipment	(1,676)	(73)	—	(1,749)
Total accumulated depreciation	(1,676)	(73)	—	(1,749)
Total capital assets being depreciated, net	164	184	—	348
Housing Authority, net	**$ 164**	**$ 184**	**$ —**	**$ 348**

During the fiscal year ended June 30, 2018, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

	Depreciation Expense
Public Service Authority	$ 441,887
State Ports Authority	41,742
MUSC	112,493
USC	69,112
Clemson University	57,548
Lottery Commission	275
Housing Authority	73

Outstanding construction commitments (expressed in thousands) for the State's major discretely presented component units was as follows:

	Outstanding Construction Commitments
Public Service Authority	$ 361,351
State Ports Authority	145,600
MUSC	6,644
USC	41,496
Clemson University	68,269

Interest costs included as part of the cost of capital assets under construction (expressed in thousands) for the State's major discretely presented component units was as follows:

	Capitalized Interest Costs
State Ports Authority	$ 21,525
USC	6,558
Clemson University	12,157

c. Insurance Activities

Medical Malpractice Liability Insurance Joint Underwriting Association

The South Carolina Medical Malpractice Liability Insurance Joint Underwriting Association (JUA) was created by State law. The JUA is a nonmajor discretely presented component unit of the State and the State accounts for the JUA as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the JUA follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to $200 thousand per incident or $600 thousand in the aggregate for one year.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the JUA includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the JUA during the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	$ 66,565	$ 6,589	$ (13,908)	$ 59,246
2016	70,841	8,253	(12,529)	66,565

Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2017. Policies are subject to deductibles ranging from $500 to $2.000 million, with the exception of named storm losses which carry deductibles from $2.000 million up to $5.000 million. Also a $1.400 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2017, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.000 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2017. There have been no third-party claims for environmental damages for 2017.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at $13.400 billion by the Price-Anderson Indemnification Act. The $13.400 billion would be covered by nuclear liability insurance of $450.000 million per reactor unit, with potential retrospective assessments of up to $127.300 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $18.900 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $42.400 million, not to exceed approximately $6.300 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.500 billion primary and $1.250 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.000 million for the primary policy, $3.300 million for the excess policy and $1.800 million for the accidental outage policy.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2017.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. The State reports the Authority's claims expenses and liabilities when it is probable that a loss has occurred and the amount of the loss is reasonably estimable.

Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	$ 2,019	$ 2,572	$ (2,911)	$ 1,680
2016	1,479	2,625	(2,085)	2,019

d. Leases

Capital Leases

The State's discretely presented component units lease land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2018 for the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Clemson University	MUSC	USC
2019	$ 765	$ 5,235	$ 311
2020	765	3,372	174
2021	760	2,121	135
2022	757	1,524	125
2023	664	1,383	87
2024-2028	2,872	1,379	—
2029-2033	2,872	—	—
2034-2038	2,701	—	—
Total minimum payments....................	**12,156**	**15,014**	**832**
Less: interest and executory costs....	(165)	(1,182)	(88)
Net minimum payments.......................	**$ 11,991**	**$ 13,832**	**$ 744**

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2018, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Clemson University	MUSC	USC
Land and non-depreciable improvements..........	$ —	$ —	$ 245
Buildings and improvements...............................	14,300	—	394
Machinery and equipment..................................	776	24,500	947
Assets acquired under capital leases before accumulated amortization................................	**15,076**	**24,500**	**1,586**
Less: accumulated amortization.........................	(2,962)	(9,185)	(458)
Assets acquired under capital leases, net.........	**$ 12,114**	**$ 15,315**	**$ 1,128**

Operating Leases

The State Ports Authority had minimum rental payments under operating leases with terms of less than twelve months which totaled $2.158 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled $334 thousand. The Lottery Commission had minimum rental payments under operating leases for the fiscal year which totaled $615 thousand. For Clemson University, minimum rental payments under operating leases for the fiscal year totaled $129 thousand. MUSC had minimum rental payments under operating leases for the fiscal year which totaled $9.808 million. USC had minimum rental payments under operating leases for the fiscal year which totaled $12.095 million.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending December 31	Public Service Authority
2018	$ 600
2019	600
Net minimum payments	**$ 1,200**

Fiscal Year Ending June 30	Housing Authority	Clemson University	MUSC	USC	Lottery Commission
2019	$ 343	$ 3,697	$ 16,879	$ 8,368	$ 560
2020	352	2,868	13,655	6,388	571
2021	360	2,470	10,534	2,425	582
2022	369	1,077	6,723	2,351	593
2023	378	815	3,430	2,164	605
2024-2028	127	562	5,379	9,282	616
2029-2033	—	—	631	6,537	—
2034-2038	—	—	—	7,217	—
Thereafter	—	—	—	1,531	—
Net minimum payments	**$ 1,929**	**$ 11,489**	**$ 57,231**	**$ 46,263**	**$ 3,527**

Facilities and Equipment Leased to Others

At June 30, 2018, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately $39.298 million and related accumulated depreciation of $28.470 million. Also, at June 30, 2018, MUSC had leased to non-State parties certain land and facilities having a cost of approximately $1.371 million and related accumulated depreciation of $884 thousand. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	State Ports Authority	MUSC
2019	$ 3,310	$ 147
2020	2,895	109
2021	2,856	65
2022	1,243	—
2023	994	—
2024-2028	5,030	—
2029-2033	5,339	—
2034-2038	5,356	—
2039-2043	5,912	—
Thereafter	4,730	—
Total	**$ 37,665**	**$ 321**

e. Bonds and Notes Payable

General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2037	$	236,737
University of South Carolina institution bonds, 2.00% to 5.00%, maturing serially through 2037		166,955
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036		46,293

As of the last reporting date of the component units, future debt service requirements for general obligation bonds of the State's major discretely presented component units were as follows (expressed in thousands):

	Clemson University		Medical University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ 9,415	$ 8,566	$ 4,090	$ 1,881
2020	10,035	8,106	4,245	1,677
2021	10,265	7,616	2,485	1,464
2022	10,580	7,134	2,610	1,340
2023	11,110	6,605	2,725	1,210
2024-2028	64,320	24,256	11,840	4,343
2029-2033	64,950	10,837	10,785	1,726
2034-2037	32,705	2,193	4,650	282
Total debt service requirements	**213,380**	**$ 75,313**	**43,430**	**$ 13,923**
Unamortized premiums	23,357		2,863	
Total principal outstanding	**$ 236,737**		**$ 46,293**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2019	$ 11,390	$ 7,179
2020	11,940	6,615
2021	12,405	6,120
2022	13,010	5,504
2023	11,235	4,858
2024-2028	48,365	16,579
2029-2033	39,285	6,912
2034-2037	19,325	1,225
Total debt service requirements	**$ 166,955**	**$ 54,992**

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90% of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds of $559.090 million were outstanding at June 30, 2018.

Revenue and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue and other bonds and notes outstanding at June 30, 2018 and December 31, 2017 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.30% to 6.54%, maturing serially through 2056	$ 7,945,688	$ —
Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046	444,354	—
University of South Carolina bonds and notes, 1.00% to 5.00%, maturing serially through 2047	500,674	4,000
Medical University of South Carolina bonds and notes, 2.25% to 5.29%, maturing serially through 2037	610,698	22,860
State Ports Authority bonds and notes, 2.06% to 5.25%, maturing serially through 2056	678,612	161,658
State Housing Authority bonds, 0.85% to 5.50%, maturing serially through 2048	422,018	—

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 3.01% plus 24.00% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2018 is $62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.00% of the one-month LIBOR rate. The variable rate in effect at June 30, 2018 was 1.37%. The fair value of this swap, estimated using the zero-coupon method, was negative $1.220 million as of June 30, 2018. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2017 of $2.481 million is recognized as investment income in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.57%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2018 was $2.212 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2018 was 3.30%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $3 thousand as of June 30, 2018. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2017 of $57 thousand is recognized as investment income in these financial statements.

As of June 30, 2018, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending	Variable Rate Debt		Interest Rate	
June 30	Principal	Interest	Swaps, Net	Totals
2019	$ 1,700	$ 1,414	$ 440	$ 3,554
2020	3,500	1,332	415	5,247
2021	2,925	1,263	393	4,581
2022	2,525	1,204	375	4,104
2023	2,600	1,143	356	4,099
2024-2028	14,105	4,746	1,477	20,328
2029-2033	16,170	2,952	919	20,041
2034-2038	18,560	893	278	19,731
Totals............	**$ 62,085**	**$ 14,947**	**$ 4,653**	**$ 81,685**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.00% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2018 were $40.845 million and $17.505 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $58.350 million at June 30, 2018.

As of June 30, 2018, the swaps had a negative fair value of approximately $552.000 million. The unrealized loss related to these agreements recorded at June 30, 2018 is $337.000 million and is included in interest expense on the Statement of Activities.

Debt Service Requirements

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, the State Ports Authority, and the State Housing Authority ends June 30. At December 31, 2017, the carrying value of the Public Service Authority's debt was $7.466 billion while the fair value was approximately $8.400 billion. At June 30, 2018, the carrying value of the State Ports Authority debt was $780.683 million while the fair value was approximately $619.000 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

As of the last reporting date of the component units, future debt service requirements for bonds and notes of the State's major discretely presented component units were as follows (expressed in thousands):

Year Ending December 31	Public Service Authority Principal	Public Service Authority Interest
2018	$ 48,546	$ 362,493
2019	213,324	359,257
2020	194,071	351,183
2021	228,954	342,676
2022	133,954	332,183
2023-2027	1,010,851	1,545,488
2028-2032	770,493	1,377,024
2033-2037	1,008,244	1,174,824
2038-2042	872,544	944,838
2043-2047	1,241,648	677,645
2048-2052	1,198,735	339,926
2053-2057	593,150	59,011
Total debt service requirements	**7,514,514**	**$ 7,866,548**
Unamortized discounts and premiums	431,174	
Total principal outstanding	**$ 7,945,688**	

Year Ending June 30	State Ports Authority Principal	State Ports Authority Interest	State Housing Authority Principal	State Housing Authority Interest
2019	$ 3,677	$ 28,342	$ 12,520	$ 13,825
2020	11,763	34,929	64,165	12,179
2021	12,238	34,433	15,635	11,694
2022	12,747	33,917	16,160	11,169
2023	30,948	33,146	16,770	10,601
2024-2028	79,575	155,839	76,965	43,843
2029-2033	92,988	139,502	73,550	30,916
2034-2038	102,334	117,208	65,360	17,670
2039-2043	85,991	97,605	54,210	7,490
2044-2048	107,910	74,502	14,885	1,392
2049-2053	138,870	43,545	—	—
2054-2057	101,642	7,803	—	—
Total debt service requirements	**780,683**	**$ 800,771**	**410,220**	**$ 160,779**
Unamortized premiums and discounts	59,587		11,798	
Total principal outstanding	**$ 840,270**		**$ 422,018**	

Year Ending June 30	Clemson University Principal	Clemson University Interest	University of South Carolina Principal	University of South Carolina Interest
2019	$ 10,750	$ 16,983	$ 18,990	$ 23,673
2020	11,245	16,486	15,700	22,760
2021	11,040	15,957	15,840	20,908
2022	11,675	15,447	16,625	20,036
2023	12,210	14,945	17,435	19,120
2024-2028	62,255	65,778	94,385	80,499
2029-2033	67,005	52,159	102,570	54,272
2034-2038	79,810	39,351	89,030	27,530
2039-2043	96,280	22,887	40,545	7,835
2044-2047	56,680	4,135	13,620	1,211
Total debt service requirements	**$ 418,950**	**$ 264,128**	**$ 424,740**	**$ 277,844**
Unamortized discounts and premiums	25,404		79,934	
Total principal outstanding............	**$ 444,354**		**$ 504,674**	

Year Ending June 30	Medical University of South Carolina Principal	Medical University of South Carolina Interest
2019	$ 30,178	$ 14,636
2020	37,851	23,686
2021	38,623	23,409
2022	39,390	22,149
2023	40,205	20,843
2024-2028	214,588	84,147
2029-2033	206,547	50,384
2034-2038	24,299	4,269
Total debt service requirements	**$ 631,681**	**$ 243,523**
Unamortized discounts and premiums	1,877	
Total principal outstanding............	**$ 633,558**	

Bond Anticipation Notes

At June 30, 2018, all short-term general obligation bond anticipation notes that were outstanding at the prior fiscal year's end at MUSC were fully defeased.

Defeased Bonds

During August 2017, Clemson University issued $120.885 million in Series 2017A State Institution Bonds, with an aggregate all-in true interest cost of 2.46%. Of the $120.885 million issued, $45.880 million was used for refunding. The net proceeds after payment of $242 thousand in issuance costs were used to refund $48.540 million of the 2011 Series B State Instution Bonds with an average interest rate of 4.80%. The refunding transaction resulted in an aggregate debt payment reduction of $5.383 million over the next thirteen years and an economic gain of $5.383 million.

At December 31, 2017, $732.325 million of bonds associated with the Public Service Authority were considered defeased.

Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Housing Authority issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2018, the outstanding balance of bonds issued was $258.417 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2018, the outstanding balance of bonds issued after June 30, 1995, was $3.682 billion. The original amount of bonds issued prior to that date is not available.

Commercial Paper Notes and Lines of Credit

The Public Service Authority and the University of South Carolina present their outstanding amounts as commercial paper notes and line of credit, respectively, but all other amounts outstanding on lines of credit at June 30, 2018 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a $144.484 million liability for commercial paper notes at its fiscal year ended December 31, 2017. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an $750.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2017.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of $10.000 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 0.75% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2018, there were no advances under this line of credit. The line of credit expired during June 2018 and was renewed with essentially the same terms through June 22, 2019.

The University of South Carolina Educational Foundation, a discretely presented component unit of USC, has a line of credit with a maximum borrowing limit of $20.000 million, on which it could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.20%. As of June 30, 2018, the University of South Carolina Educational Foundation has an outstanding balance of $5.933 million on this line of credit. Interest only payments on this line of credit were due beginning in August 2015 and the entire principal balance and any outstanding interest are due in June 2019.

f. Changes in Liabilities

	Balances at January 1, 2017	Increases	Decreases	Balances at December 31, 2017	Amounts Due Within One Year
Public Service Authority					
Policy claims	$ 2,019	$ 2,572	$ (2,911)	$ 1,680	$ 1,680
Revenue bonds payable	7,795,552	104,624	(385,662)	7,514,514	48,546
Unamortized discounts and premiums	473,419	—	(42,245)	431,174	—
Total revenue bonds payable	8,268,971	104,624	(427,907)	7,945,688	48,546
Compensated absences payable	21,900	1,652	(2,380)	21,172	—
Net pension liability	324,956	13,827	—	338,783	—
Total long-term liabilities	$ 8,617,846	$ 122,675	$ (433,198)	$ 8,307,323	$ 50,226

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
State Ports Authority					
Notes payable	$ 84,808	$ 80,012	$ (3,162)	$ 161,658	$ 3,677
Revenue bonds payable	444,215	325,000	(150,190)	619,025	—
Unamortized discounts and premiums	21,517	40,158	(2,088)	59,587	—
Total revenue bonds payable	465,732	365,158	(152,278)	678,612	—
Compensated absences payable	2,878	41	(352)	2,567	2,567
Net pension liability	79,665	18,914	—	98,579	—
Net OPEB liability	54,954	—	(2,047)	52,907	—
Total long-term liabilities	$ 688,037	$ 464,125	$ (157,839)	$ 994,323	$ 6,244

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable	$ 415,900	$ 55,000	$ (60,680)	$ 410,220	$ 12,520
Unamortized discounts and premiums	10,886	2,152	(1,240)	11,798	—
Total revenue bonds payable	426,786	57,152	(61,920)	422,018	12,520
Compensated absences payable	798	507	(594)	711	594
Net pension liability	14,431	1,529	—	15,960	—
Net OPEB liability	12,247	—	(380)	11,867	—
Total long-term liabilities	$ 454,262	$ 59,188	$ (62,894)	$ 450,556	$ 13,114

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Clemson University					
General obligation bonds payable	$ 150,350	$ 120,885	$ (57,855)	$ 213,380	$ 9,415
Unamortized discounts and premiums	9,813	17,189	(3,645)	23,357	—
Total general obligation bonds payable	160,163	138,074	(61,500)	236,737	9,415
Revenue bonds payable	419,810	11,300	(12,160)	418,950	10,750
Unamortized discounts and premiums	26,284	438	(1,318)	25,404	—
Total revenue bonds	446,094	11,738	(13,478)	444,354	10,750
Capital leases payable	11,989	776	(774)	11,991	716
Compensated absences payable	25,571	12,626	(12,068)	26,129	13,946
Net pension liability	573,169	44,103	—	617,272	—
Net OPEB liability	595,147	—	(37,971)	557,176	—
Total long-term liabilities	$ 1,812,133	$ 207,317	$ (125,791)	$ 1,893,659	$ 34,827

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Medical University of South Carolina					
Notes payable	$ 43,644	$ 1,842	$ (22,626)	$ 22,860	$ 3,913
General obligation bonds payable	48,050	—	(4,620)	43,430	4,090
Unamortized discounts and premiums	3,359	—	(496)	2,863	—
Total general obligation bonds payable	51,409	—	(5,116)	46,293	4,090
Revenue bonds payable	512,353	118,230	(21,762)	608,821	26,265
Unamortized discounts and premiums	2,166	—	(289)	1,877	—
Total revenue bonds	514,519	118,230	(22,051)	610,698	26,265
Capital leases payable	13,069	6,441	(5,678)	13,832	4,820
Compensated absences payable	31,162	22,868	(22,490)	31,540	19,144
Net pension liability	1,184,113	68,073	—	1,252,186	—
Net OPEB liability	464,303	611,980	—	1,076,283	—
Total long-term liabilities	$ 2,302,219	$ 829,434	$ (77,961)	$ 3,053,692	$ 58,232

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Lottery Commission					
Compensated absences payable	$ 771	$ 644	$ (581)	$ 834	$ 542
Net pension liability	15,031	504	—	15,535	—
Net OPEB liability	12,516	—	(799)	11,717	—
Total long-term liabilities	$ 28,318	$ 1,148	$ (1,380)	$ 28,086	$ 542

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
University of South Carolina					
Notes payable	$ 5,019	$ —	$ (1,019)	$ 4,000	$ 4,000
General obligation bonds payable	138,660	39,450	(11,155)	166,955	11,390
Revenue bonds payable	441,100	67,830	(88,190)	420,740	14,990
Unamortized discounts and premiums	67,286	17,754	(5,106)	79,934	—
Total revenue bonds	508,386	85,584	(93,296)	500,674	14,990
Capital leases payable	396	561	(213)	744	276
Compensated absences payable	32,544	28,427	(29,020)	31,951	24,602
Net pension liability	879,746	73,399	—	953,145	—
Net OPEB liability	917,212	—	(58,520)	858,692	—
Total long-term liabilities	$ 2,481,963	$ 227,421	$ (193,223)	$ 2,516,161	$ 55,258

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2018 included: a line of credit for USC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

	Balances at January 1, 2017	Increases	Decreases	Balances at December 31, 2017
Public Service Authority				
Commercial paper notes	$ 399,899	$ 53,734	$(309,149)	$ 144,484

	Balances at June 30, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018
University of South Carolina				
Line of credit	$ 3,933	$ 2,000	$ —	$ 5,933

g. Joint Ventures

Joint Ventures

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2017, the trade guarantees are an amount not to exceed approximately $84.500 million.

Interested parties may obtain a copy of TEA's financial statements by writing to:

The Energy Authority
301 West Bay Street, Suite 2600
Jacksonville, Florida 32202
http://teainc.org

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33.33% of the net electricity generated. In 2004, the Nuclear Regulatory Commission (NRC) granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042. Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel; however as of May 2015, the Department of Energy suspended the collection of spent fuel disposal fees. Fuel amortization and disposal fees (through April 2014) are included in fuel expense and recovered through the Authority's rates.

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $369.600 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G were constructing two additional nuclear generating units (Summer Units 2 and 3) at the V.C. Summer Nuclear Station. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provided for a 45.00% ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G. On July 31, 2017 the Authority, along with SCE&G, halted the V.C. Summer Units 2 and 3 project. The Authority reclassified the construction in progress related to the Summer Units 2 and 3 to a regulatory asset to be amortized over the remaining life of the revenue bonds related to the halted project.

h. Significant Transactions of Major Component Units with the Primary Government

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $17.800 million during the Authority's fiscal year ended December 31, 2017.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of $45.000 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of $1.000 million during the fiscal year ended June 30, 2018.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $510 thousand and $29.110 million for the fiscal year ended June 30, 2018.

i. Concentrations of Customer Credit Risk

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority's sales for its fiscal year ended December 31, 2017, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,026,000	59%

No other customer accounted for more than 10% of the Authority's sales.

State Ports Authority

During the fiscal year ended June 30, 2018, of the State Ports Authority's total revenues, three customers accounted for approximately 15%, 10%, and 10% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

j. Contingencies and Commitments

Litigation – State Ports Authority

In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the U.S. Army Corps of Engineers (The "Corps"), to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the building to accommodate passenger vessels. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. The permit application is under review by the Corps of Engineers on remand. The Ports Authority intends to continue pursuing the federal permit and to continue any legal actions necessary to perfect the final permit.

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. On October 18, 2017, the Court of Appeals issued a unanimous opinion affirming the South Carolina Administrative Law Court. This was appealed to the South Carolina Supreme Court, and the Supreme Court accepted a petition for certiorari on August 21, 2018. Briefing and argument have not been scheduled at this time. The Ports Authority intends to vigorously defend the permits. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

On October 14, 2012, a portion of the quay wall at Veterans' Terminal (VT) in North Charleston, failed. A claim relating to the quay wall failure and remediation costs has also been asserted by the Ports Authority against the United States Navy for indemnity under Section 330 of the National Defense Authorization Act of 1993 (P.L. 102-484), as amended by P.L. 103-160. The claim is related only to oil pollution left by the United States Navy in an underground pipe near the damaged area, which had not been designated as an area of concern, nor disclosed presence of oil, which should have been cleaned out and removed by the Federal Government. Small amounts of oil were released in an investigatory excavation before being sealed off and recovered. The presence of the oil has caused increased costs of remediation, in an amount which cannot be accurately determined until the contract for remedial work has been completed and costs tallied. Department of Defense is defending the 330 indemnity claim and has sought additional information. Under the indemnity claim, the Federal Government would likely be responsible only for the remediation costs related to the oil, which is excluded from insurance coverage by the Ports Authority's property insurance policy.

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible party to determine recovery of the additional construction costs caused by design and project management issues and to seek resolution by agreement. The matter has been resolved against one contractor through a settlement agreement, while the litigation continues against the remaining contractor defendant. Remediation work and construction is continuing.

In October 2002, the Ports Authority and the City of North Charleston (City) entered into a Memorandum of Understanding (MOU) related to certain issues concerning the development of the Hugh K. Leatherman, Sr. Terminal located at the former Charleston Navy Base Facility. One requirement of the MOU is for the City and the Ports Authority to approach the South Carolina General Assembly for the funding of certain infrastructure which is desired by the City. The City has communicated to the Ports Authority that it believes this infrastructure is required prior to the opening of the terminal. While the Authority disagrees with the City on this point, it plans to fully comply with all applicable terms of the MOU. At this time, no measurable impact of the City's position can reasonably be made.

Other Loan Guarantees – South Carolina Education Assistance Authority

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. As a result of the Health Care and Education Reconciliation Act of 2010 and subsequent actions taken by the federal government which nationalized the federally-guaranteed student loan program, continuing guarantor operations under the guaranty agreement between the Authority and the USDE would result in an economic loss to the Authority. Therefore on June 22, 2016, the State Fiscal Accountability Authority delegated to the South Carolina Student Loan Corporation (SLC) the authority to communicate with the United States Department of Education (USDE) at the appropriate time to terminate the guaranty agreements, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the South Carolina State Treasurer all necessary documents required to affect such termination. SLC notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement. On July 21, 2016, SLC received formal notice from the USDE naming Educational Credit Management Corporation (ECMC) as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. Effective December 1, 2016, the Authority transferred to ECMC and ECMC accepted the transfer of all of the Authority's outstanding guarantees and its post-claim portfolio. In addition, the Authority and ECMC agreed to a sixty-month period beginning December 1, 2016 through December 1, 2021, during which the Authority will reimburse ECMC up to $737 thousand of the Default Aversion Fee previously earned from USDE which must be rebated to the USDE due to claims filed by the eligible lender during this sixty-month period. The quarterly billing of these rebates will be paid from the Agency Operating Fund. As of March 31, 2018, the Authority had been invoiced and paid the entirety of the $737 thousand reimbursement to ECMC. The State's default rate for the period ended September 30, 2017, was 2.0%.

Purchase Commitments – Public Service Authority

At December 31, 2017, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $202.125 million for coal. In addition, minimum obligations under a purchased power contract as of December 31, 2017, were approximately $46.800 million with a remaining term of eighteen years. Also at December 31, 2017, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $152.800 million over the next sixteen years.

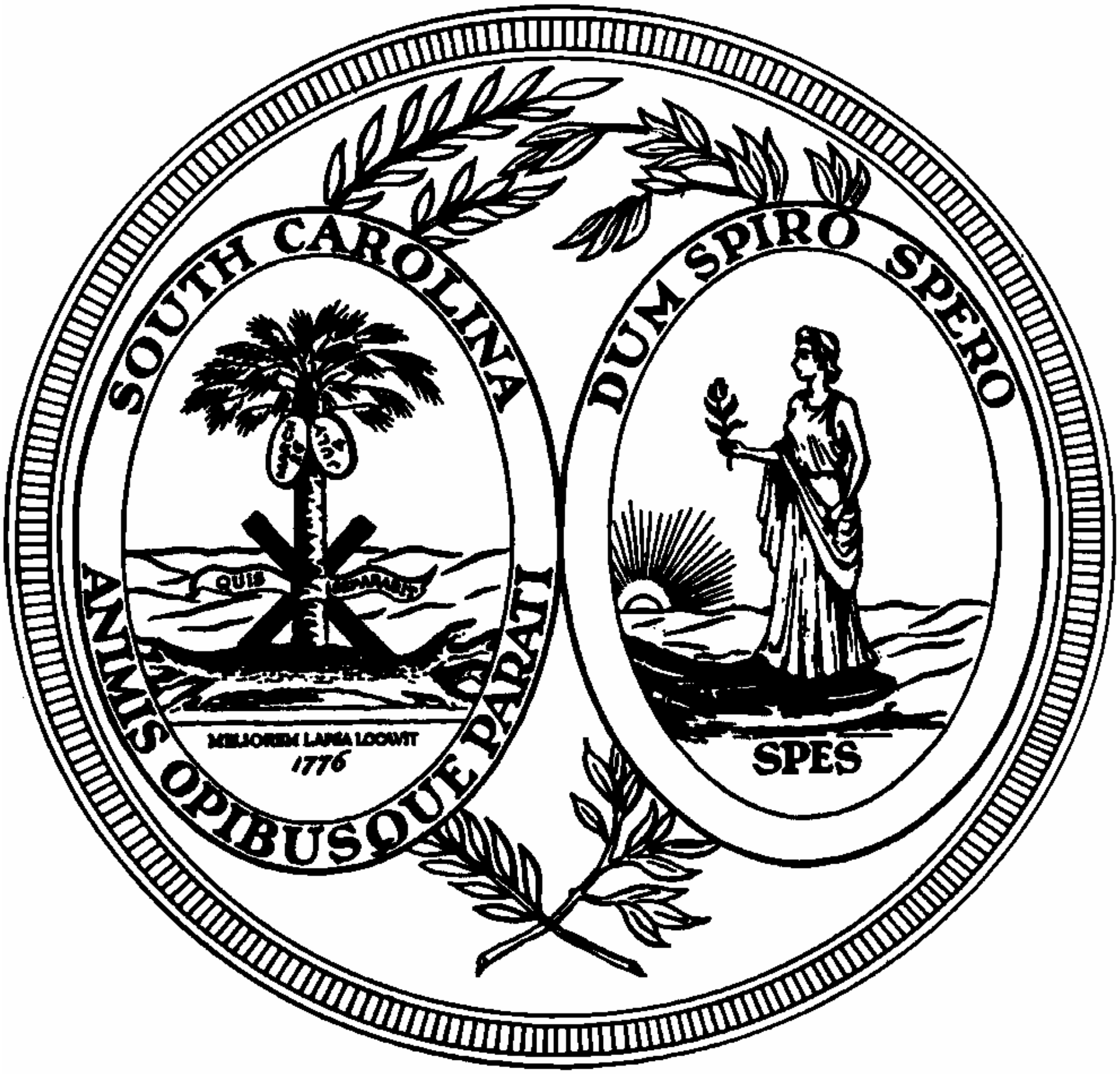
The Authority amended a service agreement to an approximate amount of $97.200 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2018.

Purchase Commitments – Ports Authority

At June 30, 2018, the Ports Authority had construction commitments of approximately $145.600 million and non-construction commitments for property, plant and equipment of approximately $3.200 million. The Ports Authority recorded a liability of approximately $4.100 million equal to the final project costs on the 52 foot Charleston Harbor deepening project.

Commitments to Provide Grants and Other Financial Assistance – The State Housing Finance and Development Authority

The State Housing Finance and Development Authority, a major discretely presented component unit, had commitments of $7.752 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2018.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NOTE 20: SUBSEQUENT EVENTS

a. Debt Issuances

Subsequent to the fiscal year end, the State of South Carolina issued the following debt:

- The Medical University of South Carolina, a major discretely presented component unit, issued private placement hospital authority revenue bonds, Series 2018A, in the amount of $36.454 million on October 15, 2018.
- As part of proviso 112.2 (Ports Authority Loan) of the State's FY 2019 General Appropriations Bill, the State authorized a loan of up to $50.000 million to the Ports Authority, a major discretely presented component unit, for its Harbor Deepening Project. However, to date, no loan funds have been issued by the State to the Ports Authority.
- On August 14, 2018, the Housing Authority, a major discretely presented component unit, issued $70.000 million in mortgage revenue bonds, Series 2018A.
- On September 13, 2018, the Public Service Authority, a major discretely presented component unit, defeased $346.235 million in bonds for the following bond issuances: $48.475 million for 2009 Tax-Exempt Refunding Series A, $37.305 million for 2010 Refunding Series B, $81.510 million for 2011 Refunding Series B, $8.015 million for 2012 Refunding Series A, $7.510 million for 2012 Refunding Series C, $6.325 million for 2012 Tax-Exempt Series D, $100.00 million for 2013 Tax-Exempt Series A, $7.920 million for 2014 Tax-Exempt Refunding Series C, $5.485 million for 2015 Tax-Exempt Refunding & Improvement Series A, and $43.690 million for 2015 Tax-Exempt Refunding Series C.

b. South Carolina State University Loans

On January 31, 2014, South Carolina State University, a non-major discretely presented component unit, notified the State that revenue collections had not met revenue estimates because student enrollment has lagged behind university projections. As a result, the University requested $13 million to pay current bills, and the former State Budget and Control Board, currently known as State Fiscal Accountability Authority, approved and the General Assembly committed an emergency $6.000 million loan to the University on April 30, 2014. The $6.000 million loan also has a stipulation that up to $500 thousand of the $6.000 million must be used to hire consultants to assess the University's financial needs and operations. The loan was due in full on June 30, 2015, although the University received a four-year extension on December 3, 2014. In fiscal year 2015, a Blue Ribbon Committee, appointed by the South Carolina State Legislature, awarded the University a $12.000 million loan to be provided to the University over three years in annual installments of $6.000 million, $4.000 million and $2.000 million, in fiscal 2015, 2016 and 2017, respectively. The South Carolina State Legislature passed a Joint Resolution, 2016 Act 286 (S. 1166) that provided for forgiveness of the Blue Ribbon Committee's 6-4-2 Loan over a period of three years effective fiscal year 2017. $8.000 million and $2.000 million of the loan was forgiven in fiscal years 2017 and 2018, respectively, and $2.000 million will be forgiven as well in fiscal year 2019.

c. Natural Disasters

During early October 2015, South Carolina received prolonged torrential rains spawned by Hurricane Joaquin that produced catastrophic statewide flooding. The extent and severity of flooding was extensive causing damage to roads and bridges and to private property, polluted water systems, compromised dams, and power outages. The recovery from this storm remains primarily related to roads, bridges and other transportation infrastructure. Total damages on the State Highway System are estimated to be $137 million and many costs are eligible for federal assistance from Federal Highway Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $49 million. During the 2015-2016 Legislative Session, funding in the amount of $49 million was provided to the Department of Transportation to assist in the recovery and repair process and provide required federal assistance matching funds. The Department of Transportation has incurred costs through June 30, 2018 of $115.7 million of which $73.4 million has been received in federal assistance. Additional federal assistance is expected up to $13.1 million and will be based upon total costs and their federal assistance eligibility.

During October 2016, South Carolina received another devastating storm, Hurricane Matthew, which caused significant damage to state parks, roads, electrical infrastructure and other property. On October 4, 2016 the Governor issued an executive order declaring a state of emergency for the State of South Carolina. On or about October 7, 2016 the President declared the State of South Carolina a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery. This storm carried heavy rains which caused flooding and high winds resulting in down trees and debris. Again, the primary impact of this storm was with roads, bridges and infrastructure. The Department of Transportation, a governmental fund, conducted thorough inspections of all bridges and roads and began recovery of the State Highway System. Total damages on the State Highway System are estimated to be $100.1 million and many costs are eligible for federal assistance from Federal Highway

Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $30.4 million. The Department has incurred costs through June 30, 2018 of $60.4 million of which $49.6 million has been received in federal assistance.

During September 2017, South Carolina experienced inclement weather as Hurricane Irma impacted the southern United States. This event caused wind, surge damage and flooding along the coast. The Department of Transportation, a governmental fund, incurred costs through June 30, 2018 of $5.3 million of which $.4 million has been received in federal assistance. Approved federal assistance of $1.6 million has been accrued at June 30, 2018.

During September 2018, South Carolina was impacted by Hurricane Florence, which brought 10 to 18 inches of rain in areas saturating the ground and flooding the rivers. The State of South Carolina is actively responding to widespread flooding across the Northeast portion of the state. Again, the infrastructure within this area of the state has taken a major hit with the unprecedented flooding of many rivers. The State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available. Public Service Authority, a major discretely presented component unit, was also impacted by Hurricane Florence at the Grainger ash pond site near the Waccamaw River. The mitigation-related costs are estimated at $10.500 million before FEMA reimbursement.

On October 12, 2018, Hurricane Matthew made its way through South Carolina as a Tropical Storm, bringing with it heavy rains and winds in the central area of South Carolina. This resulted in some flooding, power outages and property damage. Again, the State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available.

d. Public Service Authority Ceases the Joint Construction Project (V.C. Summer Units 2 and 3)

On July 31, 2017, the Public Service Authority (the Authority) and SCE&G (the Authority's project partner- see note 19 g) halted construction and announced their decision to cease construction on the V.C. Summer Units 2 and 3 project. The State is currently evaluating options that include selling the Authority or selling the related construction in progress to another entity to finish the project, yet it has made no decision at this time.

e. Medical University of South Carolina Building and Garage Sale and Leaseback

On October 18, 2018 the Medical University of South Carolina, a major discretely presented component unit, performed a sale and leaseback of a building and garage. This transaction resulted in net proceeds of $18.087 million with a gain of $9.500 million. Due to the leaseback, a deferred gain of $6.700 million and a gain of $2.800 million will be reported in fiscal year 2019.